

**Original**

**TN Orthopedics**

**PC**

**CN1605-019**

**SECTION A: APPLICANT PROFILE**

|  |                                       |  |                          |
|--|---------------------------------------|--|--------------------------|
| <b>1. <u>Name of Facility, Agency, or Institution</u></b>  |                                       |  |                          |
| <b>Tennessee Orthopedics, P.C.</b><br>Name   |                                       |  |                          |
| <b>101 Physician's Way</b><br>Street or Route  |                                       | <b>Wilson</b><br>County                              |                          |
| <b>Lebanon</b><br>City   | <b>TN</b><br>State                    | <b>37090</b><br>Zip Code                             |                          |
| <b>2. <u>Contact Person Available for Responses to Questions</u></b>   |                                       |  |                          |
| <b>Christi D. Griffin, Esq.</b><br>Name  |                                       | <b>Attorney</b><br>Title                             |                          |
| <b>Griffin Law Office</b><br>Company Name  |                                       | <b>christi@griffinlawtn.com</b><br>Email address     |                          |
| <b>113 E. Main Street</b><br>Street or Route   | <b>Lebanon</b><br>City                | <b>TN</b><br>State                                   | <b>37087</b><br>Zip Code |
| <b>Legal Counsel</b><br>Association with Owner   | <b>(615) 668-0462</b><br>Phone Number | <b>(615) 444-4877</b><br>Fax Number                  |                          |
| <b>3. <u>Owner of the Facility, Agency or Institution</u></b> [See Attachment A, Applicant Profile-3(A) and (B)] |                                       |  |                          |
| <b>Roy C. Terry, M.D.</b><br>Name  |                                       | <b>(615) 449-0990</b><br>Phone Number                |                          |
| <b>101 Physician's Way</b><br>Street or Route  |                                       | <b>Wilson</b><br>County                              |                          |
| <b>Lebanon</b><br>City   | <b>TN</b><br>State                    | <b>37090</b><br>Zip Code                             |                          |
| <b>4. <u>Type of Ownership of Control (Check One)</u></b> [See Attachment A, Applicant Profile-4]                |                                       |  |                          |
| A. Sole Proprietorship   | _____                                 | F. Government (State of TN or Political Subdivision) | _____                    |
| B. Partnership   | _____                                 | G. Joint Venture                                     | _____                    |
| C. Limited Partnership   | _____                                 | H. Limited Liability Company                         | _____                    |
| D. Corporation (For Profit)  | _____                                 | I. Other (Specify)                                   | XXX                      |
| E. Corporation (Not-for-Profit)  | _____                                 | Professional Corporation                             |                          |

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

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5. **Name of Management/Operating Entity (If Applicable)**

[See Attachment A, Applicant Profile-5]

**Custom Surgical Consultants, LLC**

Name

**1151 Heaps Road**

Street or Route

**Harford**

County

**Street**

**MD**

**21154**

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

[See Attachment A, Applicant Profile-6]

A. Ownership

Option to Lease

D.

B. Option to Purchase

E. Other (Specify)

C. Lease of 7 Years

XXXX

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify)

B. Ambulatory Surgical Treatment

Center (ASTC), Multi-Specialty

C. ASTC, Single Specialty

D. Home Health Agency

E. Hospice

F. Mental Health Hospital

G. Mental Health Residential

Treatment Facility

H. Mental Retardation Institutional

Habilitation Facility (ICF/MR)

I. Nursing Home

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

M. Residential Hospice

N. Non-Residential Methadone

Facility

O. Birthing Center

P. Other Outpatient Facility

(Specify)

Q. Other (Specify)

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

A. New Institution

B. Replacement/Existing Facility

C. Modification/Existing Facility

D. Initiation of Health Care

Service as defined in TCA §

68-11-1607(4)

(Specify) **Amb Surg Tr Ctr**

XXX

E. Discontinuance of OB Services

F. Acquisition of Equipment

G. Change in Bed Complement

[Please note the type of change

by underlining the appropriate

response: Increase, Decrease,

Designation, Distribution,

Conversion, Relocation]

H. Change of Location

I. Other (Specify)

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9. Bed Complement Data

"N/A"

*Please indicate current and proposed distribution and certification of facility beds.*

|   | <u>Current Beds<br/>Licensed</u> | <u>*CON</u> | <u>Staffed<br/>Beds</u> | <u>Beds<br/>Proposed</u> | <u>TOTAL<br/>Beds at<br/>Completion</u> |
|---|----------------------------------|-------------|-------------------------|--------------------------|---|
| A. Medical  | _____                            | _____       | _____                   | _____                    | _____                                   |
| B. Surgical   | _____                            | _____       | _____                   | _____                    | _____                                   |
| C. Long-Term Care Hospital  | _____                            | _____       | _____                   | _____                    | _____                                   |
| D. Obstetrical  | _____                            | _____       | _____                   | _____                    | _____                                   |
| E. ICU/CCU  | _____                            | _____       | _____                   | _____                    | _____                                   |
| F. Neonatal   | _____                            | _____       | _____                   | _____                    | _____                                   |
| G. Pediatric  | _____                            | _____       | _____                   | _____                    | _____                                   |
| H. Adult Psychiatric  | _____                            | _____       | _____                   | _____                    | _____                                   |
| I. Geriatric Psychiatric  | _____                            | _____       | _____                   | _____                    | _____                                   |
| J. Child/Adolescent Psychiatric                                     | _____                            | _____       | _____                   | _____                    | _____                                   |
| K. Rehabilitation   | _____                            | _____       | _____                   | _____                    | _____                                   |
| L. Nursing Facility (non-Medicaid Certified)                        | _____                            | _____       | _____                   | _____                    | _____                                   |
| M. Nursing Facility Level 1 (Medicaid only)                         | _____                            | _____       | _____                   | _____                    | _____                                   |
| N. Nursing Facility Level 2 (Medicare only)                         | _____                            | _____       | _____                   | _____                    | _____                                   |
| O. Nursing Facility Level 2<br>(dually certified Medicaid/Medicare) | _____                            | _____       | _____                   | _____                    | _____                                   |
| P. ICF/MR   | _____                            | _____       | _____                   | _____                    | _____                                   |
| Q. Adult Chemical Dependency  | _____                            | _____       | _____                   | _____                    | _____                                   |
| R. Child and Adolescent Chemical<br>Dependency                      | _____                            | _____       | _____                   | _____                    | _____                                   |
| S. Swing Beds   | _____                            | _____       | _____                   | _____                    | _____                                   |
| T. Mental Health Residential Treatment                              | _____                            | _____       | _____                   | _____                    | _____                                   |
| U. Residential Hospice  | _____                            | _____       | _____                   | _____                    | _____                                   |
| <b>TOTAL</b>  | _____                            | _____       | _____                   | _____                    | _____                                   |

\*CON-Beds approved but not yet in service

10. Medicare Provider Number To be obtained

Certification Type ASTC

11. Medicaid Provider Number To be obtained

Certification Type ASTC

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes.

13. *Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.* [See Attachment A, Applicant Profile-13]  
 Will this project involve the treatment of TennCare participants? Yes.  
 If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. [See Attachment A, Applicant Profile-13]  
 Discuss any out-of-network relationship in place with MCOs/BHOs in the area. [See Attachment A, Applicant Profile-13]

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## **SECTION B: PROJECT DESCRIPTION**

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

**RESPONSE: Proposed Services.** Applicant proposes to establish and license a multi-specialty ambulatory surgery treatment center ("ASTC") primarily serving Wilson, Smith, Macon and Trousdale Counties. The ASTC will be located in a new medical park in the City of Lebanon (Wilson County) immediately off of Interstate 40 at Exit 236. The location at Exit 236 makes the ASTC convenient for patients travelling from any of the four counties comprising Applicant's primary service area.

**Ownership Structure.** Tennessee Orthopedics is a medical professional corporation 100% owned by Roy C. Terry, M.D. The corporation is a sophisticated orthopedic surgery medical practice providing in-office MRI, x-ray and physical therapy services. The ASTC is a natural expansion of services.<sup>1</sup>

**Service Area.** Applicant's primary service area for ambulatory surgery services is Wilson, Smith, Trousdale and Macon counties ("Service Area"), with 73% of Applicant's patients who receive ambulatory surgery procedures residing in these counties.

**Existing Resources / Need.** There are no multi-specialty ASTC resources in Applicant's Service Area. ASTC outmigration for multi-specialty ASTC services is 100%. ASTC outmigration for all ASTC services (e.g., multi-specialty, dual-specialty and single-specialty) was 63%-78% in 2014 and 63%-79% in 2015. Hospital-based ambulatory surgery outmigration was 52% in 2014.<sup>2</sup> The CON Board has previously approved two CON's adding multi-specialty ASTC services to the Service Area, but those CON's were never implemented and the need for multi-specialty ASTC services remains.

The only ASTC resources in the Service Area are two single specialty centers and one dual specialty center. Applicant's ASTC will not compete with these small-scale specialty centers. The only hospital-based ambulatory surgery program providing comparable multi-specialty services in terms of volume is Tennova Healthcare-Lebanon (formerly University Medical Center). Applying the utilization criteria applicable to ASTC's, Tennova's 2014 ambulatory surgery utilization of 88% of Full Capacity was well above the 70% optimum utilization threshold required to establish new ASTC services.<sup>3</sup>

**Support by Surgeons.** Applicant employs three orthopedic surgeons who will utilize the ASTC as appropriate for their patients and the community. Applicant conservatively estimates that an additional thirteen surgeons will support the ATSC, performing at least two surgeries weekly. Dentists needing surgical facilities for vulnerable patients requiring general anesthesia, but who encounter difficulty accessing hospital-based surgical suites, will be able to utilize Applicant's ASTC.

**Contribution to Orderly Delivery of Healthcare.** Applicant's ASTC will contribute to the orderly delivery of healthcare by establishing a new multi-specialty ASTC in Wilson County, to serve the community and patients. Applicant's service area is Federally designated as a Medically Underserved Area and Medically

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<sup>1</sup> If the CON is approved, Applicant anticipates transferring the CON to a yet-to-be-formed legal entity that will own the ASTC as required for Medicare certification. Such transfer will be requested prior to implementation of the CON.

<sup>2</sup> The hospital-based data for 2015 is not yet available.

<sup>3</sup> The Revised CON Standards and Criteria for Ambulatory Surgical Treatment Centers ("ASTC Standards") define Full Capacity as 1,263 Cases annually for an Operating Room ("OR") and 2,667 Cases annually for a Procedure Room ("PR"). A "Case" is defined as one visit to an outpatient OR or PR regardless of the number of surgeries or procedures performed. The ASTC Standards require that ASTC utilization be 70% or above of Full Capacity before new or expanded ASTC services are placed into the community.

Underserved Population. Applicant does not discriminate against patients based on their income or payer source. Eighteen percent of Applicant's patients are TennCare/Medicaid and 10% are indigent/charity care. Establishing an ASTC in Wilson County will materially and meaningfully increase access to quality and affordable health services to this medically underserved and vulnerable population.

Facility Specifications / Design. Applicant's ASTC will be housed in a segregated wing of Applicant's new medical building that was completed in March 2016. The ASTC wing will be a 5,684 square foot state of the art surgical facility offering three ORs, one PR, four recovery rooms, and two 23-hour recovery rooms. The construction required for the project is interior build-out only.

Project Cost / Resources. The Estimated Project Cost, exclusive of the CON filing fee, is \$2,720,555. The ASTC will be financed through a commercial loan that will fund initial lease expense, surgical equipment acquisition, and first six months' of working capital. The project is expected to be operational 15 to 18 months after CON approval, and is expected to be profitable within twelve months. The total construction cost for the ASTC suite build-out is estimated to be \$121/SF, which is less than the estimated per square foot construction cost for three recently approved ASTC projects:

|  |          |                        |
|--|----------|------------------------|
| Southern Hills Ambulatory Surgery Center | \$360/SF | Approved CON on Appeal |
| Maury Regional Ambulatory Surgery Center | \$224/SF | Licensed 2013          |
| Indian Lakes Surgery Center              | \$290/SF | Licensed 2014          |

Financial Feasibility. Applicant projects the following in Year 1 and Year 2 of operations:

|                           | <u>Year 1 (2018)</u> | <u>Year 2 (2019)</u><br><i>10% Increase</i> |
|---------------------------|----------------------|---|
| Operating Room Cases      | 2,887                | 3,176                                       |
| Cases Per OR (3 OR's)     | 962                  | 1,059                                       |
| % of Full Capacity per OR | 76%                  | 119%  |
| Procedure Room Cases      | 3,649                | 4,014                                       |
| Cases Per PR (1 PR)       | 3,649                | 4,014                                       |
| % of Full Capacity per PR | 137%                 | 151%  |
| Net Operating Income      | \$1,624,357          | \$1,813,890                                 |

Applicant's proposed average gross patient charge of \$3,762 is 62% less than the recently approved Indian Lake Surgery Center and 27% less than Patient Partners Surgery Center (both in Sumner County). There are no multi-specialty ASTC's in Applicant's Service Area to compare charges. As reported in the 2014 Hospital Discharge Data System<sup>4</sup>, the average gross patient charge for the three hospitals in the service area are \$28,279 for Tennova Healthcare-Lebanon, \$8,541 for Riverview Regional Medical Center, and \$3,721 for Macon County General Hospital.<sup>5</sup>

Staffing. Staffing for the ASTC is 25.2 FTE's, comprised of RNs, surgical technologists, administrative staff, a site administrator, and a third-party ASC manager. Projected Year 1 salary expense is \$1,494,772. The proposed hourly wage rates exceed those for similar occupations reported by the U.S. Bureau of Labor Statistics and the Tennessee Department of Labor and Workforce Development.

<sup>4</sup> State of Tennessee Department of Health, Division of Policy, Planning and Assessment, "Hospital Discharge Data System 2014."

<sup>5</sup> It is well-established that hospital-based ambulatory surgery is markedly more costly than ambulatory surgeries performed in a freestanding ASTC. See Am J Gastroenterol. 2013 Jan;108(1):10-5. doi: 10.1038/ajg.2012.183, <http://www.ncbi.nlm.nih.gov/pubmed/23287938> ("The study demonstrates that continued growth of ASCs could reduce Medicare spending, because ASCs are paid a fraction of the amount paid to hospital outpatient departments for the same services.") See also Footnotes 8 and 34-37.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

**RESPONSE:** The floor plan (attached below as Attachment B, Project Description-IV(A)), is for a 5,684 square foot ASTC.<sup>6</sup> The ASTC is comprised of the following distinct functional spaces:

|                          |   |  |
|--------------------------|---|--|
| • 3 operating rooms      | • 2 sterile processing rooms                            | • Anesthesia office                    |
| • 1 procedure room       | • 2 sterile storage rooms                               | • 1 multi-purpose/consult room         |
| • 4 recovery rooms       | • 2 clean rooms   | • 2 offices                            |
| • 2 23-hr recovery rooms | • 1 clean utility room                                  | • Patient/family waiting and reception |
| • 3 scrub stations       | • 4 toilets (2 with showers; 1 with shower and lockers) |  |

The room configuration, square footage per room, and major operational areas are depicted on the floor plan (Attachment B, Project Description-IV(A)). The location of the ASTC within the medical building is illustrated on the building floor plan, attached below as Attachment B, Project Description-IV(B).

The ASTC will be housed in a segregated wing of a new medical office building completed in March 2016. The construction required for the project is interior build-out only. Construction will be provided by Evergreen Constructors, LLC, a fully licensed general contractor located in Lebanon, Tennessee. David Pine is the owner and a licensed civil engineer and general contractor.

The ASTC wing will be a state of the art surgical facility designed for patient safety, comfort and convenience. Applicant's ASTC will be the only multi-specialty ASTC in the city of Lebanon and the Service Area, and will offer superior efficiencies and conveniences to patients and surgeons than hospital-based ambulatory surgery programs that can be plagued with scheduling difficulties, excessive waiting times between surgeries, and higher cost structures.<sup>7</sup> The compact design of the facility is easy for surgical patients and their family members to navigate.

<sup>6</sup> The Employee Lounge shown on the ASTC plans is tenant-shared space included in the building common area. This space is therefore excluded from the ASTC square footage calculation.

<sup>7</sup> See Footnotes 8 and 34-37.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

**RESPONSE:** "N/A." This application is for the establishment of an ASTC and does not involve any beds for health care services.

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C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**RESPONSE:** "N/A." This application is for the establishment of an ASTC, which is not one of the enumerated items above.

D. Describe the need to change location or replace an existing facility.

**RESPONSE:** "N/A." This application seeks to establish a new ASTC in Applicant's existing medical facility.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
  - a. Describe the new equipment, including:
    1. Total cost (As defined by Agency Rule);
    2. Expected useful life;
    3. List of clinical applications to be provided; and
    4. Documentation of FDA approval.
  - b. Provide current and proposed schedules of operations.

**RESPONSE:** "N/A." The surgical equipment needed to equip the ASTC does not rise to the thresholds of major medical equipment as defined in the Agency's rules and regulations. Each item is less than \$1.5 million, and there is no MRI, PET, EL or LA being utilized in the ASTC.

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2. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

**RESPONSE:** "N/A." See response immediately above.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
  2. Location of structure on the site; and
  3. Location of the proposed construction.
  4. Names of streets, roads or highway that cross or border the site.
- Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.***

**RESPONSE:** A copy of the plot plan for the medical facility in which the ASTC will be located is attached at Attachment B, Project Description-III(A).

Size of site (in acres): 3.63 acres

Location of structure on the site: Applicant's medical facility is located on Lot 3, which is depicted on the above-referenced plot plan.

Location of the proposed construction: The external construction of the site is complete. The interior build out will take place in Applicant's medical facility located at 101 Physicians Way, Lebanon, TN 37090.

Names of streets, roads or highway that cross or border the site: 101 Physicians Way intersects with South Hartmann Drive and Franklin Road in Lebanon. The location is accessible from Interstate-40 via South Hartmann Drive at Exit 236.

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**RESPONSE:** The site is located near the intersection of two major traffic arteries in Lebanon, Tennessee; Franklin Road and South Hartmann Drive. The location is immediately off of Exit 236 of Interstate I-40, the primary east-west corridor in Tennessee. This will allow ease of access for patients who reside in Wilson County as well as neighboring counties.

The location is accessible by wheel chair van, ambulance and private vehicle. The location is also accessible by public door-to-door transportation through the Mid-Cumberland Human Resource Agency serving Wilson and Trousdale counties and the Upper Cumberland Human Resource Agency serving Macon and Smith counties. The Mid-Cumberland and Upper Cumberland Human Resource Agencies each provide assistance to individuals with mobility limitations, to include wheel chair lifts and assistance ambulating.

The proposed space will have ample parking in front of the building. There is a covered patient drop-off area at the building's front door, and only a few yards from the ground-floor registration and ASTC waiting area. The location is designed to provide maximum accessibility for patients who have physical impairments, disabilities, or mobility concerns.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

**RESPONSE:** See Attachments B, Project Description-IV(A) and (B).

- V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

**RESPONSE:** "N/A."

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## SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

### QUESTIONS

#### **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

#### **RESPONSE:**

Principle No. 1: Healthy Lives (*The purpose of the State Health Plan is to improve the health of people in Tennessee*).

Applicant's ASTC will be the only multi-specialty ASTC located in the four county Service Area (e.g., Wilson, Smith, Macon and Trousdale), and will offer patients in these medically underserved areas an alternative choice of provider that does not currently exist for them. Currently, the only multi-specialty ambulatory surgery choice available to patients in the Service Area is hospital-based surgery, which is overall more costly and less efficient than ASTC-based surgery.<sup>8</sup> Surgery in a freestanding ASTC is generally 55% less costly to Medicare than hospital-based ambulatory surgery.<sup>9</sup> Similarly, perioperative time is generally, 39% shorter.<sup>10</sup>

Approximately 18% of Applicant's patients are TennCare/Medicaid beneficiaries and 10% are indigent/charity care. Applicant does not deny services to any patient because of an inability to pay. The ASTC will be located immediately off of I-40 at Exit 236 (in Lebanon at Hartmann Drive), and easily accessible to patients traveling from inside the Service Area, as well as to patients traveling from outside the Service Area. The ASTC is fully accessible to patients having permanent or temporary disabilities, requiring minimal ambulation from the parking or patient drop-off to the surgery center.

Principle No. 2: Access to Care (*People in Tennessee should have access to health care and the conditions to achieve optimal health*).

Applicant's intent in establishing the ASTC is to provide enhanced access to surgical services for the communities of Wilson, Smith, Macon and Trousdale counties (all federally designated Medically Underserved Areas and Medically Underserved Populations) in a facility that is unparalleled in the Service Area. Applicant's ASTC will provide not only enhanced access to surgical services, but access to high quality surgical services in a state of the art facility staffed by excellent surgeons who are equally committed to improving the health of individuals and the Service Area as a whole.

<sup>8</sup> Hair, Brionna, MPH, et al., "A comparison of ambulatory perioperative times in hospitals and freestanding centers," Am J Surg. 2012 Jul; 204(1): 23-27, Published online 2012 Feb 16. Doi: 10.1016/j.amsurg.2011.07.023. Crawford, Dennis C., et al., "Clinical and Cost Implications of Inpatient Versus Outpatient Orthopedic Surgeries: A Systematic Review of the Published Literature," Orthop Rev (Pavia), 2015 Dec 28; 7(4): 6177; Published online 2015 Dec 30. doi: 10.4081/or.2015.6177 (<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC47039133>). "Ambulatory surgery centers: a positive trend in health care," Ambulatory Surgery Center Association, Available from: <http://www.ascassociation.org/Resources/ViewDocument/?DocumentKey=7d8441a1-82dd-47b9-b626-8563dc31930c>, accessed April 22, 2016. See also Footnotes 34-37. "The ASC Cost Differential," Ambulatory Surgery Center Association, available from: <http://advancingsurgicalcare.com/reducinghealthcarecosts/paymentdisparitiesbetweenascsandhops>, accessed May 17, 2016.

<sup>9</sup> Id.

<sup>10</sup> Id.

Wilson County is the second fastest growing county in Tennessee and the tenth largest county in population; yet it is the only county of the ten largest across the state that does not have a multi-specialty ATSC. The absence of multi-specialty ATSC services clearly and unquestionably has a negative impact on health status in the Service Area. Approval of this CON will remedy the ATSC services deficiency created when the two previously approved multi-specialty ATSC CON's were not implemented.<sup>11</sup>

Principle No. 3: Economic Efficiencies (Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging value and economic efficiencies).

Establishing the only multi-specialty ASTC in the Service Area will add a strategic health care resource to a Federally designated Medically Underserved Population characterized by above average poverty among its residents. Tennesseans residing in the Service Area will have a service not currently available to them.<sup>12</sup> As indicated in Applicant's response to Question 6(B) in Section C, Economic Feasibility of this Application, Applicant's proposed gross patient charges are less than similarly situated ASTC's in the adjacent county of Sumner and also less than any of the three hospitals in the Service Area. Applicant's ASTC will offer Service Area residents prompt, economical, efficient and focused ambulatory surgery services in a modern compact medical building that is convenient and easy to get around.

Principle No. 4: Quality of Care (People in Tennessee should have confidence that the quality of care is continually monitored and standards are adhered to by providers).

Applicant's ASTC will comply with Tennessee's ASTC licensure requirements and the Centers for Medicare and Medicaid Services ASC certification requirements. Additionally, Applicant will seek accreditation from the Accreditation Association for Ambulatory Health Care. While Applicant's ASTC will be managed by highly qualified ambulatory surgery professionals, governance and oversight will be provided by Dr. Roy Terry, a well-respected orthopedic surgeon with long-standing roots in the local community. As an orthopedic surgeon, Dr. Terry understands the unique health care needs of the surgical patient and how to deliver surgical care efficiently and efficaciously. Dr. Terry will ensure that the ASTC's patients receive the same high quality surgical services that he demands for his own patients.

Principle No. 5: Healthcare Workforce (The state should support the development, recruitment, and retention of a sufficient and quality workforce).

The ASTC will be staffed by clinical personnel who specialize in delivering ambulatory surgery services. Although Applicant's proposed facility will be the only multi-specialty ASTC in the Service Area, it is not the only facility to employ clinical surgical personnel. The service area boasts three acute hospitals, medical/surgical practice groups and ancillary surgical support providers. In addition, Cumberland University, located in Lebanon, is a full-service university offering accredited curricula in various health services including nursing. Many Cumberland students were raised in the community and seek to remain after graduation. Qualified clinical staff is also available from outside the community, including Davidson and Rutherford Counties that are a very reasonable commute to the ASTC located immediately off of the I-40 corridor.

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<sup>11</sup> See discussion of "Principle No. 3" and Footnote immediately below.

<sup>12</sup> There are two previously approved multi-specialty ASTC CONs for Lebanon. However, CN0702-011 (The Lebanon Surgical Center owned by Tennova Healthcare-Lebanon) is defunct and conducting no operations. CN0906-036/ CN1302-003 (Surgery Center of Lebanon) was voluntarily surrendered. Applicant's CON seeks to add these previously approved but unimplemented ASTC resources to the Service Area.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

**RESPONSE:** See Attachment C, Need-1(a) – ASTC Criteria and Standards.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

**RESPONSE:** "N/A." The ASTC will be located in Applicant's medical facility; not in a health care institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

**RESPONSE:** Applicant's long-range strategic plan includes establishing a fully integrated suite of surgical and surgical-related services not currently available in Applicant's Service Area, which is a federally designated Medical Underserved Area characterized by a high poverty and uninsured rate. The suite of services includes the proposed multi-specialty ASTC, a state-of-the art MRI scanner (CON approved), x-ray services and on-site physical therapy, all bundled in Applicant's new medical office for increased convenience and efficiency for patients. Applicant is actively growing its surgical practice, to include having recruited two highly qualified orthopedic surgeons to the community as of September 2016. Applicant also has long-standing and positive relationships with community surgeons, and many of whom Applicant expects to utilize the ASTC as appropriate for their patients.<sup>13</sup> Through the integrated suite of services, Applicant is providing service area residents with 360-degree integration of surgical services; and through the 360-degree integration, Applicant is providing Service Area residents with health care delivery choices not currently available to them. Hence, Applicant is promoting optimal health in and for the community.

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<sup>13</sup> Applicant's ASTC will supplement the ambulatory surgery resources available in the Service Area. It is not expected (or intended) to replace existing resources, but rather to provide additional resources as needed to appropriately serve the growing population in the Service Area.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

**RESPONSE:** The Applicant's primary service area is Wilson, Smith, Macon and Trousdale counties, with 77% of Applicant's ambulatory surgical patients originating in these four counties. In addition to Applicant's main office located in Wilson County (Lebanon), Applicant maintains satellite medical offices in Smith (Carthage), Macon (LaFayette) and Sumner (Gallatin) Counties. See the county-level service area map attached at Attachment C, Need-3.

With regard to the reasonableness of the identified service area, Applicant's records show the following patient demographic data:

| <u>County</u> | <u>%</u>       |
|---------------|----------------|
| Wilson        | 35.40%         |
| Smith         | 20.57%         |
| Macon         | 15.28%         |
| Trousdale     | 5.30%          |
| Other         | 23.45%         |
| <b>TOTAL</b>  | <b>100.00%</b> |

Trousdale County is included in the Service Area because it is situated in the midst of the other three counties.

4. A. Describe the demographics of the population to be served by this proposal.

**RESPONSE:** The U.S. Census Bureau reports that Wilson County (comprising 35.40% of Applicant's patient population) was the second fastest growing county in Tennessee and the 62<sup>nd</sup> fastest growing county in the United States, growing 2.8% in the 12-month period commencing July 1, 2014.<sup>14</sup> As Wilson County grows, population will similarly migrate into the adjacent counties comprising Applicant's Service Area. All age groups, genders and ethnicities require ambulatory surgery services. Therefore, the marked projected growth rate for the Applicant's Service Area provides strong support for establishing a new multi-specialty ASTC in the Service Area.

The population demographics for Applicant's Service Area are as follows:

(CY = 2016, PY = 2020)

| Variable   | Wilson   | Macon    | Smith    | Trousdale | Service Area             | Tennessee |
|--|----------|----------|----------|-----------|--------------------------|-----------|
| Current Year (CY), Age 65+ <sup>1</sup>            | 19,933   | 4,023    | 3,395    | 1,355     | 28,706                   | 1,091,516 |
| Projected Year (PY), Age 65+ <sup>1</sup>          | 24,411   | 4,656    | 3,985    | 1,585     | 34,637                   | 1,266,295 |
| Age 65+, % Change                                  | 22.5%    | 15.7%    | 17.4%    | 17%       | 20.3%                    | 16%       |
| Age 65+, % Total (PY)                              | 17.6%    | 19.2%    | 19.1%    | 18.1%     | 0.5%                     | 17.8%     |
| CY, Total Population                               | 129,094  | 23,453   | 20,207   | 8,402     | 181,156                  | 6,812,005 |
| PY, Total Population                               | 138,561  | 24,202   | 20,833   | 8,739     | 192,335                  | 7,108,031 |
| Total Pop. % Change                                | 7.3%     | 3.2%     | 3.1%     | 4%        | 6.2%                     | 4.3%      |
| TennCare Enrollees <sup>**</sup>                   | 14,366   | 5,745    | 3,521    | 1,659     | 25,291                   | 1,194,242 |
| TennCare Enrollees as a % of Total Population (CY) | 11.1%    | 24.5%    | 17.4%    | 19.8%     | 14%                      | 17.5%     |
| Median Age <sup>***</sup>                          | 39.8     | 39.6     | 41       | 39.5      | 40 <sup>****</sup>       | 38.3      |
| Median Household Income <sup>***</sup>             | \$60,095 | \$34,156 | \$43,988 | \$37,211  | \$43,863 <sup>****</sup> | \$44,621  |
| Population % Below Poverty Level <sup>***</sup>    | 10.4%    | 21.2%    | 15.9%    | 15.9%     | 15.9% <sup>****</sup>    | 17.8%     |

**Sources:**

<sup>1</sup>2015 Revised UTCBER Population Projection Series. The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment. Note: These data will not match the University of Tennessee Data exactly due to rounding.

<sup>\*\*</sup>Tennessee Division of Health Care Finance & Administration, TennCare Fiscal Year 2013-2014 Annual Report.

<sup>\*\*\*</sup>U.S. Census Bureau, American Fact Finder, Community Facts, [http://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml).

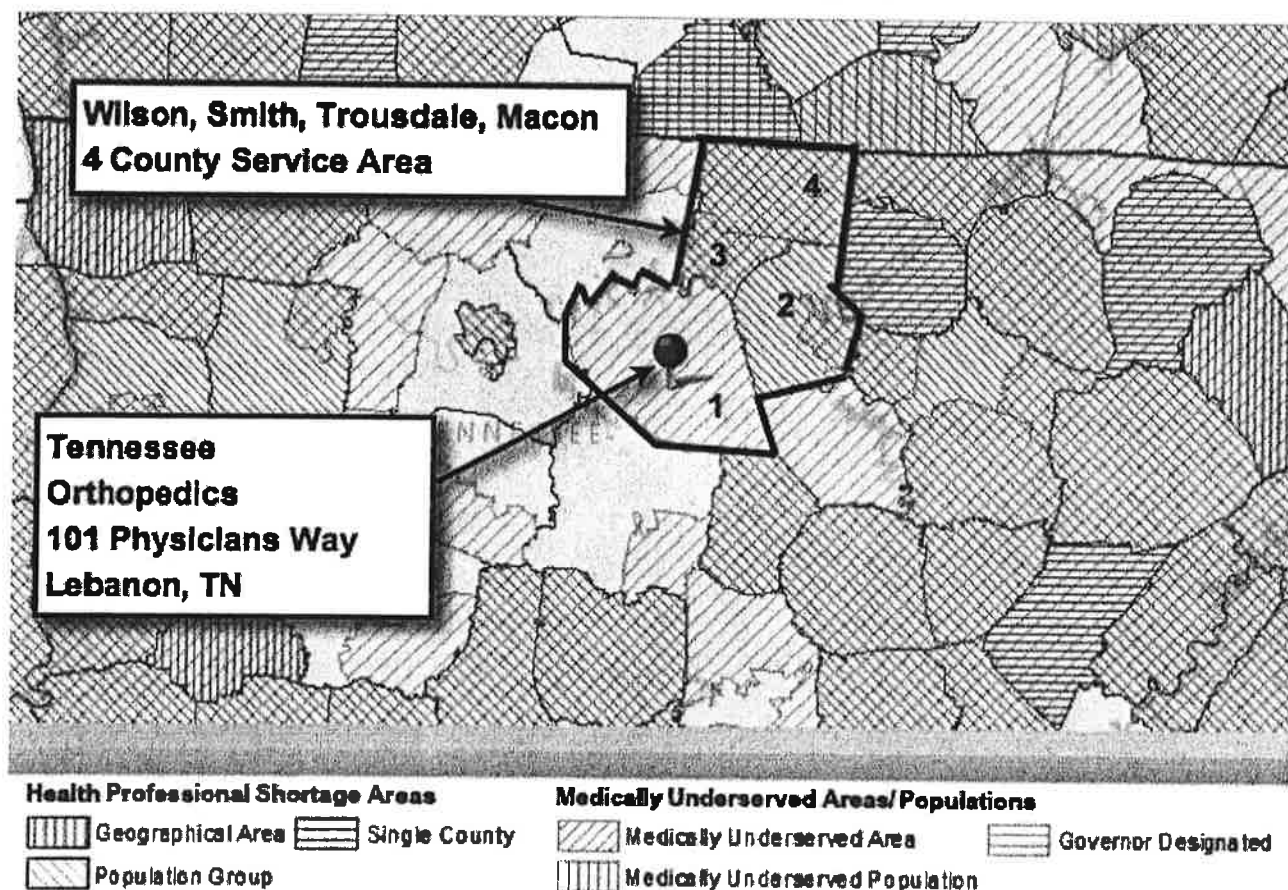
<sup>\*\*\*\*</sup>The U.S. Census Bureau Community Facts population data (cited above) does not report data for a multiple-county area. The Median Age, Median Household Income, and Population % Below Poverty Level for the four-county Service Area is therefore calculated as an average of the individual county statistics.

<sup>14</sup> <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**RESPONSE:**

MUA/MUP Designation. As illustrated below, each county in Applicant's four-county primary service area is a Federally designated Medically Underserved Area ("MUA") and Medically Underserved Population ("MUP") by the U.S. Health Services and Resource Agency.<sup>15</sup>



A MUA is a designated geographic location or locations in which residents have a shortage of personal health services. A MUP is a group of persons who have been determined to face economic, cultural or linguistic barriers to health care. Those who reside in a MUA and/or MUP typically experience significant health disparities, and as such have diminished opportunities to achieve optimal health.<sup>16</sup> Population factors directly related to these health disparities include education, income, disability, and geographic location.<sup>17</sup>

<sup>15</sup> U.S. Department of Health and Human Services Health Resources and Services Administration Data Warehouse 2016.

<sup>16</sup> CDC. Community Health and Program Services (CHAPS): Health Disparities Among Racial/Ethnic Populations. Atlanta: U.S. Department of Health and Human Services; 2008.

<sup>17</sup> U.S. Department of Health and Human Services Office of Disease Prevention and Health Promotion (ODPHP): Healthy People 2020; 2016.



Health Disparities. With regard to health disparities related to educational level, 25.6% of Macon County, 23.9% of Trousdale County, and 19.3% of Smith County residents have not achieved a high school diploma. Data shows a direct correlation to educational level and health status. Those with lower educational level are more likely to experience, obesity, substance abuse, and intentional or unintentional injury. Macon County, in particular, ranks fourth in the State among 95 counties for all-cause mortality, and Smith County ranked 15<sup>th</sup> in the State.<sup>18</sup>

With regard to health disparities related to poverty level, 21.2% of Macon County, 15.9% for Smith and Trousdale County, and 10.4% of Wilson County residents are living below the Federal poverty level. With regard to health disparities related to disability status, the incidence of Service Area residents who are "under age 65 with a disability" is notable at 14.7% for Macon County, 13% for Smith County, 12.7% for Trousdale County, and 8.5% for Wilson County.<sup>19</sup>

Vulnerable Populations. The Service Area is comprised of vulnerable populations as described in the health disparities statistics above. Additionally, Applicant seeks to open the ASTC to dentists who treat vulnerable populations requiring general anesthesia for dental work. These populations include children, the elderly, and persons with intellectual disabilities and dementia who are unable to withstand dental treatment in the dental office. Hospitals are reluctant to open their OR's for dental procedures, and as a result many of these vulnerable patients must wait for extended periods of time until the dentist can either be credentialed to utilize the OR or the hospital will permit the dentist to schedule OR time.

Patient and Community Outreach. Applicant has established a patient and community outreach program that helps patients of limited means and abilities to access health services, including partnering with the community hospitals to participate in free health fairs and events for the public, partnering with public schools to provide orthopedic services to student athletes, making house calls at long-term care facilities to provide medical services to fragile residents who have difficulty travelling to a medical office, and employing bilingual staff to better serve the growing Hispanic population. Applicant participates in the TennCare managed care plans and with Medicare, with approximately 18% of Applicant's patient census being TennCare and 20% being Medicare/Medicare Advantage. Applicant does not cap the number of patients who will be accepted from particular insurance providers, including TennCare and Medicare patients. Additionally, Applicant provides medical services to all patients without regard to their ability to pay.

Access to Health Services. Residents of the Service Area face more challenges in accessing quality health services than residents of more affluent counties, in part because they tend have more limited financial means, less ability to travel, and a diminished likelihood of identifying and correcting health disparities that are affecting their health and livelihood. Establishing an ASTC in the Service Area will result in Service Area residents being able to access the services with fewer barriers and less expense. Service Area residents will not have to travel outside of the Service Area to receive ASTC services, which is helpful to those residents with transportation limitations; and those Service Area residents who are uninsured or underinsured will be able to receive the ASTC services at less out-of-pocket cost.<sup>20</sup> Similarly, Service Area residents will not have to navigate the logistical challenges of traveling beyond the Service Area to the more congested Davidson and Sumner County areas.

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<sup>18</sup> Tennessee Death Statistical System, 2007-2009: Infant Mortality, All Cause Mortality, Heart Disease Mortality, Stroke Mortality, CLRD Mortality, Diabetes Mortality.

<sup>19</sup> U.S. Census Bureau, American Community Survey Reports, ACS-29, Older Americans With a Disability: 2008-2012, U.S. Government Printing Office, Washington, DC, 2014.

<sup>20</sup> See Footnotes 8, 34-37.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**RESPONSE:** The most recent three-year utilization of existing ambulatory surgery services (e.g., ASTC and hospital-based) in the Service Area is attached as Attachment C, Need-5(A).

There are no multi-specialty ASTC resources in Applicant's four-county Service Area. Outmigration for multi-specialty ASTC services is 100%. The outmigration for all ASTC services (e.g., specialty and multi-specialty) is astounding. In 2014, outmigration from the Service Area for all ASTC services ranged from 63% to 78%. In 2015, the outmigration ASTC outmigration for all ASTC services ranged from 63% to 79%. Particularly, Wilson County outmigration was 78% in each of 2014 and 2015. In 2014, hospital-based ambulatory surgery outmigration from the Service Area was 52%.<sup>21</sup> The outmigration statistics demonstrate that Service Area residents either do not have an appropriate choice for ambulatory surgery, or do not wish to utilize the existing resources. (See Primary Service Area Outmigration Report, Attachment C, Need-5(B)).

The CON Board has previously recognized the need for multi-specialty ASTC services through the approval of two ASTC's that were to be established in Lebanon. However, neither of these CONs was implemented. The defunct Lebanon Surgical Center was a multi-specialty ASTC approved in 2007 for expansion to three OR's and two PR's.<sup>22</sup> The CON expired before the expansion was made and the center has been closed since at least July 1, 2013.<sup>23</sup> In 2010, the CON Board approved a CON for the Surgery Center of Lebanon to establish a multi-specialty ASTC with three ORs and 1 PR, but the CON was voluntarily surrendered and not implemented.<sup>24</sup> None of these approved resources has been replaced, and as a result there is a deficit of multi-specialty ASTC services in the Service Area.

With regard to existing ASTC resources in the Service Area, there are two single-specialty ASTCs and one dual-specialty ASTC in the City of Lebanon. Lebanon Endoscopy Center is a single-specialty ASTC limited to endoscopies. Wilson County Eye Surgery Center is similarly a single-specialty ASTC limited to surgeries of the eye. Providence Surgery Center is a dual-specialty ASTC located in Mount Juliet limited to orthopedic surgery and pain management. These are the only ASTC's in the Service Area, and were never intended to meet the Service Area need for multi-specialty surgery.

Applicant's ASTC will not compete with the foregoing existing ASTCs for the following three reasons:

- With regard to Providence Surgery Center, the orthopedic surgeons who will be utilizing Applicant's ASTC do not utilize the Providence Surgery Center. It is not convenient for the surgeons or their patients.

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<sup>21</sup> Data for 2015 hospital-based ASC utilization is not available.

<sup>22</sup> CN0702-011.

<sup>23</sup> The Tennessee Health Care Facilities Licensure database lists the Lebanon Surgical Center as "closed." The 2013-2014 ASTC Joint Annual Report shows no utilization during the July 1, 2013-June 1, 2014 reporting period, and the Lebanon Surgical Center does not appear on the 2014-15 ASTC JAR.

<sup>24</sup> CN0906-036 and CN1302-003, Surgery Center of Lebanon. Dr. Terry was an owner of the approved ASTC. The CON was voluntarily surrendered after certain owners withdrew from the project, making construction of the ASTC infeasible.



- Orthopedic surgery patients receiving surgery at Applicant's ASTC will originate in Applicant's medical practice offices located in Lebanon, Carthage, Gallatin and LaFayette. These are not patients who would normally choose to travel to Mount Juliet for surgery at Providence Surgery Center.
- The community surgeons who have expressed support for Applicant's ASTC do not perform endoscopic or ophthalmologic procedures. Thus, there is no overlap of patients between Applicant's ASTC and any of the three existing limited-scope ASTC's.

There are three general hospitals in the primary service area that provide ambulatory surgery as part of the hospitals' inpatient surgical services.

- Tennova Healthcare-Lebanon (formerly University Medical Center) is a 245 bed acute care hospital. Tennova has four designated outpatient ORs that in 2014 were utilized at 88% of Full Capacity.<sup>25</sup>
- Macon County General Hospital in LaFayette is a 25-bed critical access hospital. Macon County has one designated outpatient OR that in 2014 was utilized at 67% of Full Capacity. Even though Macon County is just 3% shy of the 70% Full Capacity threshold, the hospital does not have the bandwidth to perform multi-specialty surgeries and procedures of the complexity and at the volume that will be performed at Applicant's ASTC.
- Riverview Regional Medical Center in Carthage is a 35-bed critical access hospital that does not offer ambulatory surgery separate from the inpatient surgical services. It is therefore not possible to calculate Riverview Regional's capacity as defined in the ASTC CON Standards.<sup>26</sup> Like Macon County General, does not have the bandwidth to perform multi-specialty surgeries and procedures of the complexity and at the volume that will be performed at Applicant's ASTC.

The approval of Applicant's ASTC will add currently non-existent, but much-needed, ASTC services to the Service Area. Applicant's ASTC will provide the additional ASTC ORs and PRs that the CON Board sought to add to the Service Area through two previous CON projects that were not implemented. Applicant's ASTC will also prepare the Service Area to meet the rising health care needs of a rapidly growing population and economy, while providing the services less expensively and more efficiently than hospital-based ambulatory surgery services.<sup>27</sup>

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<sup>25</sup> Tennova's 2014 Joint Annual Report utilization data for outpatient surgery services reported number of Procedures performed in the outpatient ORs; not the number of Encounters (the hospital-based equivalent to ASTC "Cases"). Tennova's utilization calculation was therefore based on reported Procedures because that was the only data available.

<sup>26</sup> In 2014, Riverview Regional Medical Center performed 1,000 outpatient Encounters and 156 inpatient surgeries utilizing two general purpose ORs.

<sup>27</sup> See Footnotes 8 and 34-37.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**RESPONSE:** Applicant seeks to establish a new multi-specialty ASTC; therefore, historical data is not available. Projected utilization and the supporting methodology are as follows. (See also the Projected Data Chart.)

Projected Utilization

|                                       | <u>Year 1 (2018)</u> | <u>Year 2 (2019)</u><br><i>10% Increase</i> |
|---------------------------------------|----------------------|---|
| Surgical Cases (OR) <sup>28</sup>     | 2,887                | 3,176                                       |
| Cases Per OR (3 OR's)                 | 962                  | 1,059                                       |
| % Full Capacity per OR <sup>29</sup>  | 76%                  | 119%  |
| Non-Surgical Cases (PR) <sup>30</sup> | 3,649                | 4,014                                       |
| Cases Per PR (1 PR)                   | 3,649                | 4,014                                       |
| % Full Capacity per PR                | 137%                 | 151%  |

Projection Methodology

1. From 5/15/15 through 4/15/16 Tennessee Orthopedics performed a total of 3,345 ambulatory non-surgical cases. Annualized this would be 3,649 non-surgical ambulatory cases per year.
2. Tennessee Orthopedics currently has 1 Orthopedic Surgeon and 2 mid-level providers.
3. Dr. Terry performed 721 annualized ambulatory surgical cases and Dr. Terry and the 2 mid-level providers performed 3,649 annualized non-surgical ambulatory procedure room cases per year.
4. Tennessee Orthopedics has entered into employment contracts with two new orthopedic surgeons who will join the practice on or before September 1, 2016. It is estimated that they will each perform at least 60% of Dr. Terry's annualized number of ambulatory surgical cases in the year 2018. This would project that they would each perform 433 ambulatory surgical cases per year in 2018.

<sup>28</sup> A surgical case is one in which general and/or monitored anesthesia care is employed and must be performed in an operating room equipped with anesthesia equipment.

<sup>29</sup> The ASTC Standards and Criteria require OR's and PR's to be utilized at 70% of Full Capacity in order for need for additional resources to be established.

<sup>30</sup> A non-surgical case is one in which local and/or intravenous sedation is employed, and may be performed in a procedure room as opposed to an operating room.

5. Additional surgeons external to Tennessee Orthopedics have expressed a very strong interest in applying for privileges at the Tennessee Orthopedics ASTC beginning when it anticipates opening in 2018. There are currently 13 surgeons not affiliated with Applicant who have expressed this interest in the following specialties:

|                    |   |   |
|--------------------|---|---|
| a. General Surgery | - | 3 |
| b. ENT             | - | 1 |
| c. Podiatry        | - | 1 |
| d. GYN             | - | 1 |
| e. Plastic Surgery | - | 2 |
| g. Dental          | - | 5 |

6. If each of these additional surgeons only performs 2 ambulatory surgical cases per week for 50 weeks, this would equal 1,300 surgical cases per year.

7. Determination of surgical room requirements for Tennessee Orthopedics ASTC:

|                           |   |                             |
|---------------------------|---|-----------------------------|
| a. Roy Terry, MD          | - | 721 Surgical Cases          |
| b. New Surgeon 1          | - | 433 Surgical Cases          |
| c. New Surgeon 2          | - | 433 Surgical Cases          |
| d. 13 Additional Surgeons | - | <u>1,300 Surgical Cases</u> |
|                           |   | 2,887                       |

|                                     |   |  |
|-------------------------------------|---|--|
| 8. Total Surgical Cases Year 1      | - | 2,887/year   |
| 3 Operating Rooms                   | - | 962 Cases per OR Year 1                                |
| Total OR Cases Year 2 <sup>31</sup> | - | 1,059 Cases per OR Year 2                              |
| TN State Health Plan                | - | 1,263/70%=884 Cases/OR/Yr Required to Establish Need   |
| Percent of Full Capacity Year 1     | - | 76%  |
| Percent of Full Capacity Year 2     | - | 119%   |
| <br>Total Non-Surgical Cases Year 1 | - | <br>3,649/year   |
| 1 Procedure Room                    | - | ***  |
| Total PR Cases Year 2 <sup>32</sup> | - | 4,014/year   |
| TN State Health Plan                | - | 2,667/70%=1,867 Cases/PR/Yr Required to Establish Need |
| Percent of Full Capacity Year 1     | - | 137%   |
| Percent of Full Capacity Year 2     | - | 151%   |

<sup>31</sup> Assume 10% increase in utilization.

<sup>32</sup> Assume 10% increase in utilization.

## ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

**Response:** The Contractor's build-out estimate is attached as Attachment C, Economic Feasibility-1.

The Project Cost Chart that follows this page documents the following Total Estimated Cost for this project:

|    |   |                  |
|----|---|------------------|
| A. | Architectural and Engineering Fees:                   | \$ 30,000        |
| B. | Legal, Administrative and Consulting Fees:            | 130,000          |
| C. | Moveable Equipment                                    | 677,249          |
| D. | Facility:   | 1,883,306        |
| E. | Estimated Project Cost (exclusive of CON filing fee): | <u>2,720,555</u> |
| F. | CON Filing Fee:                                       | 6,121            |
|    | Total Estimated Project Cost:                         | <u>2,726,676</u> |

# PROJECT COSTS CHART

|    |  |              |
|----|--|--------------|
| A. | Construction and equipment acquired by purchase:                               |              |
|    | 1. Architectural and Engineering Fees  | \$ 30,000    |
|    | 2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees           | \$ 130,000   |
|    | 3. Acquisition of Site   |              |
|    | 4. Preparation of Site   |              |
|    | 5. Construction Costs  |              |
|    | 6. Contingency Fund  |              |
|    | 7. Fixed Equipment (Not included in Construction Contract)                     |              |
|    | 8. Moveable Equipment (List all equipment over \$50,000)                       | \$ 677,249   |
|    | 9. Other (Specify) _____   |              |
| B. | Acquisition by gift, donation or lease: <b>Medical office space lease</b>      |              |
|    | 1. Facility (inclusive of building and land) <b>Medical office space lease</b> | \$ 1,883,306 |
|    | 2. Building only   |              |
|    | 3. Land only   |              |
|    | 4. Equipment (Specify)   | \$           |
|    | 5. Other (Specify)   |              |
| C. | Financing Costs and Fees:  |              |
|    | 1. Interim Financing   |              |
|    | 2. Underwriting Costs  |              |
|    | 3. Reserve for One Year's Debt Service   |              |
|    | 4. Other (Specify) _____   |              |
| D. | Estimated Project Cost (A+B+C)   | \$ 2,720,555 |
| E. | CON Filing Fee   | \$ 6,121     |
| F. | Total Estimated Project Cost <b>TOTAL</b>                                      | \$ 2,726,676 |
|    | (D+E)  |              |

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☒ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contract, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions; [Letter of Funding Commitment attached as Attachment C, Economic Feasibility-2.]
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☐ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

**RESPONSE:** This project will be financed with a commercial loan of up to \$2.4 million to fund the first six-months of operations. Applicant anticipates that at least sixteen surgeons with surgical specialties of orthopedic, general, ENT, podiatry, plastic, gynecology and dental surgery will utilize the ASTC for their patients. These surgeons will be credentialed in advance of the ASTC's opening, resulting in immediate revenue generation. Three of these surgeons are orthopedic surgeons employed by the Applicant, and will immediately begin to perform ambulatory surgeries at the facility. The projected ambulatory surgery volume, procedure volume, and net revenues detailed on the Projected Data Chart support that the ASTC will be profitable in the first twelve months of operations.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

**RESPONSE:** The Estimated Project Cost (exclusive of CON filing fee) in the amount of \$2,720,555 is very reasonable. The principal costs associated with the project are the seven-year ASTC lease agreement (which includes build-out) and acquisition of non-major surgical equipment. The construction costs are low as compared to recently completed ASTC projects, in part because the building in which the ASTC will lease space is already built with the landlord absorbing the initial costs of construction. Applicant is responsible for building out only the interior of the ASTC suite which keeps overall project costs down markedly.

The interior build-out costs are estimated at \$685,000. On a per square foot basis, Applicant's estimated construction cost for the 5,684 square foot building is \$121 per square foot (e.g., \$685,000 estimated build-out costs divided by 5,684 square feet). Applicant's estimated cost of construction is less costly on a per/square foot basis than three similar ASTC projects recently approved by the CON Board:

- Southern Hills Surgery Center, LLC (Davidson County) (CN 1411-047)

|  |              |
|--|--------------|
| Estimated total square feet:                 | 18,109 SF    |
| Estimated project cost:                      | \$17,318,865 |
| Estimated construction cost per square foot: | \$360        |

*Amount in Excess of Applicant's Estimated construction cost:* \$239

- Southern Sports Surgical, LLC, d/b/a Indian Lakes Surgery Center, Hendersonville (Sumner County) (CN 1204-019)

|  |             |
|--|-------------|
| Estimated total square feet:                 | 6,200 SF    |
| Estimated total project cost:                | \$1,798,000 |
| Estimated construction cost per square foot: | \$290       |

*Amount in Excess of Applicant's Estimated construction cost:* \$169

- Maury Regional Ambulatory Surgery Center, LLC (Maury County) (CN 1111-046)

|  |             |
|--|-------------|
| Estimated total square feet:                 | 13,080 SF   |
| Estimated total project cost:                | \$7,894,178 |
| Estimated construction cost per square foot: | \$224       |

*Amount in Excess of Applicant's Estimated GSF Cost:* \$103

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

**RESPONSE:** Applicant seeks to establish a new ASTC and there is no historical data to report. See the Projected Data Chart on the following page.

# HISTORICAL DATA CHART

("N/A," AS THIS APPLICATION PROPOSES NEW SERVICES)

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in **JANUARY** (Month).

|   | Year 2012       | Year 2013       | Year 2014       |
|---|-----------------|-----------------|-----------------|
| A. Utilization Data (Specify unit of measure) | CPT Code        | CPT Code        | CPT Code        |
| B. Revenue from Services to Patients          |                 |                 |                 |
| 1. Inpatient Services                         | \$ _____        | \$ _____        | \$ _____        |
| 2. Outpatient Services                        | _____           | _____           | _____           |
| 3. Emergency Services                         | _____           | _____           | _____           |
| 4. Other Operating Revenue<br>(Specify) _____ | _____           | _____           | _____           |
| <b>Gross Operating Revenue</b>                | <b>\$ _____</b> | <b>\$ _____</b> | <b>\$ _____</b> |
| C. Deductions from Gross Operating Revenue    |                 |                 |                 |
| 1. Contractual Adjustments                    | \$ _____        | \$ _____        | \$ _____        |
| 2. Provision for Charity Care                 | _____           | _____           | _____           |
| 3. Provisions for Bad Debt                    | _____           | _____           | _____           |
| <b>Total Deductions</b>                       | <b>\$ _____</b> | <b>\$ _____</b> | <b>\$ _____</b> |
| <b>NET OPERATING REVENUE</b>                  | <b>\$ _____</b> | <b>\$ _____</b> | <b>\$ _____</b> |
| D. Operating Expenses                         |                 |                 |                 |
| 1. Salaries and Wages                         | \$ _____        | \$ _____        | \$ _____        |
| 2. Physician's Salaries and Wages             | _____           | _____           | _____           |
| 3. Supplies                                   | _____           | _____           | _____           |
| 4. Taxes                                      | _____           | _____           | _____           |
| 5. Depreciation                               | _____           | _____           | _____           |
| 6. Rent                                       | _____           | _____           | _____           |
| 7. Interest, other than Capital               | _____           | _____           | _____           |
| 8. Management Fees:                           |                 |                 |                 |
| a. Fees to Affiliates                         | _____           | _____           | _____           |
| b. Fees to Non-Affiliates                     | _____           | _____           | _____           |
| 9. Other Expenses (Specify)                   | _____           | _____           | _____           |
| <b>Total Operating Expenses</b>               | <b>\$ _____</b> | <b>\$ _____</b> | <b>\$ _____</b> |
| E. Other Revenue (Expenses) – Net (Specify)   | \$ _____        | \$ _____        | \$ _____        |
| <b>NET OPERATING INCOME (LOSS)</b>            | <b>\$ _____</b> | <b>\$ _____</b> | <b>\$ _____</b> |
| F. Capital Expenditures                       |                 |                 |                 |
| 1. Retirement of Principal                    | \$ _____        | \$ _____        | \$ _____        |
| 2. Interest                                   | _____           | _____           | _____           |
| <b>Total Capital Expenditures</b>             | <b>\$ _____</b> | <b>\$ _____</b> | <b>\$ _____</b> |
| <b>NET OPERATING INCOME (LOSS)</b>            |                 |                 |                 |
| <b>LESS CAPITAL EXPENDITURES</b>              | <b>\$ _____</b> | <b>\$ _____</b> | <b>\$ _____</b> |



## PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in **JANUARY** (Month).

|  | Year 2018                  | Year 2019                  |
|--|----------------------------|----------------------------|
| A. Utilization Data (Specify unit of measure)  | # OR/ PR Cases             | # OR/PR Cases              |
| B. Revenue from Services to Patients   |                            |                            |
| 1. Inpatient Services  | \$ _____                   | \$ _____                   |
| 2. Outpatient Services   | \$24,587,855               | \$27,046,640               |
| 3. Emergency Services  | _____                      | _____                      |
| 4. Other Operating Revenue (Specify) _____   | _____                      | _____                      |
| <b>Gross Operating Revenue</b>   | <b><u>\$24,587,855</u></b> | <b><u>\$27,046,640</u></b> |
| C. Deductions from Gross Operating Revenue   |                            |                            |
| 1. Contractual Adjustments   | \$18,382,845               | \$20,221,130               |
| 2. Provision for Charity Care  | \$620,501                  | \$682,551                  |
| 3. Provisions for Bad Debt   | \$93,075                   | \$102,383                  |
| <b>Total Deductions</b>  | <b><u>\$19,096,421</u></b> | <b><u>\$21,006,063</u></b> |
| <b>NET OPERATING REVENUE</b>   | <b><u>\$5,491,434</u></b>  | <b><u>\$6,040,577</u></b>  |
| D. Operating Expenses  |                            |                            |
| 1. Salaries and Wages  | \$1,434,772                | \$1,578,249                |
| 2. Physician's Salaries and Wages  | _____                      | _____                      |
| 3. Supplies (Includes Drugs)   | \$1,520,227                | \$1,672,250                |
| 4. Taxes   | \$109,760                  | \$120,736                  |
| 5. Depreciation  | _____                      | _____                      |
| 6. Rent  | \$258,284                  | \$261,694                  |
| 7. Management Fees:  |                            |                            |
| a. Fees to Affiliates  | _____                      | _____                      |
| b. Fees to Non-Affiliates  | \$60,000 _____             | \$60,000                   |
| 9. Other Expenses (Specify) Facilities, Insur., Banks, Admin., Professional Svcs., Billing Svcs., Misc., etc.) | \$484,034                  | \$533,759                  |
| <b>Total Operating Expenses</b>  | <b><u>\$3,867,077</u></b>  | <b><u>\$4,226,688</u></b>  |
| E. Other Revenue (Expenses) – Net (Specify)  | \$ _____                   | \$ _____                   |
| <b>NET OPERATING INCOME (LOSS)</b>   | <b><u>\$1,624,357</u></b>  | <b><u>\$1,813,890</u></b>  |
| F. Capital Expenditures  |                            |                            |
| 1. Retirement of Principal   | \$ _____                   | \$ _____                   |
| 2. Interest  | _____                      | _____                      |
| <b>Total Capital Expenditures</b>  | <b><u>\$ _____</u></b>     | <b><u>\$ _____</u></b>     |
| <b>NET OPERATING INCOME (LOSS)</b>   |                            |                            |
| <b>LESS CAPITAL EXPENDITURES</b>   | <b><u>\$1,624,357</u></b>  | <b><u>\$1,813,890</u></b>  |

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

**RESPONSE:**

| Specialty       | Avg. Gross Charge <sup>33</sup> | Avg. Deduction from Operating Revenue <sup>33</sup> | Avg. Net Charge <sup>33</sup> |
|-----------------|---------------------------------|---|-------------------------------|
| Podiatry        | \$6,946                         | \$5,500   | \$1,446                       |
| Gynecology      | \$6,239                         | \$4,858   | \$1,381                       |
| ENT             | \$6,537                         | \$5,168   | \$1,369                       |
| Plastic         | \$5,683                         | \$4,470   | \$1,213                       |
| General Surgery | \$5,194                         | \$3,722   | \$1,472                       |
| Dental          | \$3,312                         | \$2,365   | \$947                         |
| Orthopedic      | \$9,384                         | \$7,230   | \$2,154                       |

6. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

**RESPONSE:** Applicant's proposed charge schedule will be 300% of the Medicare Ambulatory Surgery Fee Schedule then in effect. Applicant expects adjustments to charges to be comparable to those trends for the U.S. Southeast Region as reported on pp. 51-57 of the 2012 Intellimarker Benchmarking Study for Multi-Specialty ASCs (7<sup>th</sup> ed.) Anticipated net operating revenues in Year 1 and Year 2 of the ASTC's operations are projected to be \$5.49 million and \$6.04 million, respectively. (See Applicant's response to Question 6 in Section C, Need of this Application; see also Projected Data Chart provided in response to Question 4 in Section C, Economic Feasibility of this Application.)

<sup>33</sup> Average gross charge, deduction from operating revenue, and net charge derived from ASC revenue by specialty benchmarking data in the Southeastern United States, as identified in the 2012 Intellimarker Benchmarking Study for Multi-Specialty ASCs (7<sup>th</sup> ed.), published by VMG Health and referred to as the Ambulatory Surgical Centers Financial and Operational Benchmarking Study, pp. 51-57. VMG is a leader in ASC valuation, and the 2012 Multi-Specialty ASC Intellimarker benchmarking study is based on an analysis of over 201 freestanding ASCs and one million ASC cases.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**RESPONSE:** There are no multi-specialty ASTC's in Applicant's Service Area to compare charges. The chart below compares Applicant's proposed charges to the 2014-15 charges of two similar multi-specialty ASTC facilities located in adjacent Sumner County, and the three hospitals located in Applicant's Service Area.

| Facility                                | 2014-15 Gross Patient Charges       | No. Cases | Gross Patient Charges/Case | Amt. in Excess of Applicant | % in Excess of Applicant's Charges |
|---|-------------------------------------|-----------|----------------------------|-----------------------------|------------------------------------|
| <i>Applicant's Proposed ASTC</i>        | \$24,587,855<br>(Year 1 Projection) | 6,536     | \$3,762                    | N/A                         | N/A                                |
| Indian Lake Surgery Center (Sumner)     | \$4,743,882                         | 776       | \$6,113                    | \$2,351                     | 62%                                |
| Patient Partners Surgery Ctr. (Sumner)  | \$21,621,609                        | 4,539     | \$4,764                    | \$1,002                     | 27%                                |
| Tennova Healthcare-Lebanon              | \$121,572,835                       | 4,299     | \$28,279                   | \$24,517                    | 652%                               |
| Riverview Regional Medical Center South | \$7,525,172                         | 881       | \$8,541                    | \$4,779                     | 127%                               |
| Macon County General Hospital           | \$1,339,631                         | 360       | \$3,721                    | (\$41)                      | N/A                                |

Sources: 2014 ASTC JAR; 2014 Hospital Discharge Data System

It is well established that hospital ambulatory surgery charges are typically much higher than freestanding ASTC charges. In April 2014, the Office of Inspector General for the U.S. Department of Health and Human Services issued a report entitled "*Medicare and Beneficiaries Could Save Billions if CMS Reduces Hospital Outpatient Department Payment Rates for Ambulatory Surgical Center-Approved Procedures to Ambulatory Surgical Center Payment Rates*," concluding as follows:

- In CYs 2007 through 2011, Medicare saved almost \$7 billion due to outpatient surgeries being performed in freestanding ASCs as opposed to hospital-based outpatient surgery departments. Beneficiaries saved approximately \$2 billion due to lower cost-sharing.
- Medicare savings in CYs 2012 through 2017 could potentially be \$12 billion due to ASC payment rates typically being lower than hospital-based rates. Beneficiary savings could be \$7 billion.
- Additional Medicare savings of up to \$15 billion could be generated if Medicare would reduce the payment rates for hospital-based ambulatory surgery to that of the ASC rates. Beneficiaries could save an additional \$2-\$4 billion.<sup>34</sup>

<sup>34</sup> Office of Inspector General, Department of Health and Human Services, "Ambulatory Surgical Services Payment Differential in Medicare," (A-05-12-00020), April 2014, pp. 5-6.

The Ambulatory Surgery Center Association reports that Medicare reimbursement to freestanding ASTC's is 55% less than reimbursement for hospital outpatient surgery, with patients also bearing the higher cost of hospital-based outpatient surgery due to cost-sharing responsibilities.<sup>35</sup> Similarly, a peer-reviewed study comparing the cost of inpatient to outpatient orthopedic surgery concluded that outpatient surgery was up to 50% less costly than inpatient, with 47% of the savings being attributable to higher operating room charges in the hospital setting.<sup>36</sup> The study also found that outpatient surgery facilities encountered fewer scheduling delays, offered more physician autonomy, and resulted in overall cost savings as compared to hospital surgery.<sup>37</sup>

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

**RESPONSE:** The ASTC Standards and Criteria require an ASTC to perform 884 ambulatory surgery Cases and 1,867 procedure Cases annually; and require an applicant for an ASTC CON to project ambulatory surgery and procedure volume over the first two years of the project to demonstrate that the Applicant will meet the required threshold to establish Need for the ASTC. As demonstrated in the Response to Question 6 in Section C, Need of this Application, Applicant projects that 962 and 1,059 surgical cases will be performed in each OR in the first and second year of the ASTC operations. Applicant further projects that 3,649 and 4,014 non-surgical cases will be performed in the PR in the first and second year of operations. In each case, Applicant projects utilization in excess of the minimum thresholds set forth in the ASTC Standards and Criteria. Applicant further projects that the ASTC will be profitable within the first twelve months of operations. Applicant's proposed charges are less than the Service Area hospital-based charges.<sup>38</sup> For all of these reasons, the ASTC is projected to be cost-effective as compared to other ambulatory surgery services available in the Service Area.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

**RESPONSE:** See response to Question No. 7 immediately above. See also the Projected Data Chart. For the brief period of time in the first year of operations that the ASTC is not financially self-sustaining, Applicant will utilize a commercial line of credit to cover related expenses. (See Applicant's response to Question No. 2 in this Section C, Economic Feasibility.)

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

**RESPONSE:** As with Applicant's orthopedic surgery medical practice, MRI services and physical therapy services, the ASTC will be a significant provider of services to patients who Medicare and Medicaid beneficiaries, who are uninsured, and who are indigent. Applicant anticipates that the percentage of patients insured through the federal and state health care programs will increase as the population ages. Similarly, the percentage of TennCare/Medicaid and Indigent/Charity services offered will fluctuate with economic indicators such as recessions and unemployment. Applicant expects to continue to serve the medical needs of these patient populations as necessary to meet

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<sup>35</sup> "The ASC Cost Differential," Ambulatory Surgery Center Association.

<sup>36</sup> Crawford, "Clinical and Cost Implications of Inpatient Versus Outpatient Orthopedic Surgeries: A Systematic Review of the Published Literature."

<sup>37</sup> *Id.*

<sup>38</sup> 25-bed Macon County General Hospital is an exception.

their medical and health needs. Currently, Applicant's payer mix for all services is as follows.

| Payment Source        | Payer Mix Percentage | Year 1 Projected Net Operating Revenues | Year 1 Projected ASTC Net Revenues by Federal Payer and Indigent/Charity Care |
|-----------------------|----------------------|---|---|
| Medicare              | 20%                  | \$5,491,434                             | \$1,098,287   |
| TennCare/Medicaid     | 18%                  | \$5,491,434                             | \$988,458   |
| Indigent/Charity Care | 10%                  | \$5,491,434                             | \$549,143   |

In addition to providing indigent and charity care, Applicant's providers dedicate a lot of their time volunteering their services in the community, none of which is reflected in the "Indigent/Charity Care" category listed in the chart above.

7. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

**RESPONSE:** This is a new project for which there are no prior financial statements related to the ASTC. The unaudited 2015 year-end and 2016 Q-1 financial statements for Applicant's enterprise are attached as Attachment C, Economic Feasibility-10.

10. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
  - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

**RESPONSE:** The most obvious alternative to this project is to do nothing, thereby leaving the status quo in place for the citizens of Wilson, Smith, Macon and Trousdale counties. As demonstrated in the ambulatory surgery utilization report set forth in Applicant's Response to Question 5 in Section C-Need of this Application, Tennova-Lebanon's 2013-14 ambulatory surgery utilization exceeded the threshold required to establish need for additional resources by 18%. The existing resources are either too expensive (in the case of hospital-based ambulatory surgery) or too limited (in the case of single and dual specialty ASTCs). Applicant's multi-specialty ASTC provides a much-needed alternative to the existing resources that is more timely, more efficient, and more cost-effective than the existing resources.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**RESPONSE:** Applicant is proposing a new state-of-the art surgical facility offering new ASTC services in the primary service area. Thus, modernization or renovation of an existing facility is not an applicable alternative to be considered. However, Applicant's proposal will utilize space in a medical building that has already been constructed. Sharing arrangements are not an alternative because there are no ASTC surgical facilities in the primary service area that are large enough to take on the surgical volume projected for Applicant's facility; nor are there facilities that are adequately designed or equipped for the surgical specialties that will be utilizing Applicant's ASTC (including, without limitation, orthopedic surgeries). Similarly, a sharing arrangement with the local hospitals is not an alternative because the four ambulatory surgical suites do not have the capacity to efficiently accommodate Applicant's projected utilization; nor will the hospital provide the services as efficiently and cost-effectively as the Applicant.

## CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

**RESPONSE:** Applicant will establish contractual arrangements with the following providers:

- A. Tennova Healthcare-Lebanon: A Transfer Agreement for the emergency transfer of patients as necessary (to be developed).
- B. Summit Medical Center: A Transfer Agreement for the emergency transfer of patients a necessary (to be developed).
- C. Custom Surgical Consultants, LLC: Outsourced ASTC Management Company. (See Letter of Intent attached as Attachment A, Applicant Profile-5.)
- D. Outsourced Anesthesia Services Provider: Agreement for anesthesiologist and CRNA services. The selection of the most appropriate provider will be made after CON approval.
- E. Outsourced Central Sterile Supply Provider: Agreement for management and central sterile processing of surgical instrumentation. The selection of the most appropriate provider will be made after CON approval.
- F. Outsourced Third Party Billing Company: Agreement for outsourced third party billing. The selection of the most appropriate provider will be made after CON approval.
- G. Outsourced Clinical Credentialing Services Organization: Agreement for initial and renewal credentialing of privileged surgical staff. The selection of the most appropriate provider will be made after CON approval.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

**RESPONSE:** The positive effect of Applicant's proposal on the health care system is that, for the very first time, Tennesseans residing in the Medically Underserved Areas of Wilson, Smith, Macon and Trousdale counties will receive access to multi-specialty ASTC services located in their community. For the first time, these individuals will not have to travel to Davidson, Sumner or Rutherford counties to receive ASTC-based multi-specialty surgical services. For the first time, these individuals will have a choice other than the traditional hospital-based ambulatory surgery services, which take longer to schedule, require more time at the hospital on the day of surgery, and are more expensive (a critical issue for the high deductible health plans and uninsured and underinsured residing in the MUA). There is no negative effect from Applicant's proposal; because the new ASTC services are necessary (as demonstrated by the existing services utilization and outmigration reports attached as Attachments C, Need-5(A) and (B)), and do not infringe upon the existing utilization of the existing single/dual specialty ASTC's and hospital-based services.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

**RESPONSE:** The anticipated staffing pattern and associated wages are listed in the following table. The proposed wages are consistent with prevailing wage patterns, as published by the U.S. Bureau of Statistics and the Tennessee Department of Labor and Workforce Development. See Attachment C, Contribution to Orderly Development-3, which illustrates that Applicant's proposed wage rate exceeds prevailing area wage rates in two different databases reporting Tennessee prevailing wages by occupation.

**ASTC Staffing Model, Year 1 (2018)**

**FTE = 2,080 hrs./yr.**

| Title   | Hourly Rate              | No. FTE's                            | Annual Salary Expense |
|---|--------------------------|--------------------------------------|-----------------------|
| Registered Nurse  | \$30.68                  | 11.8                                 | \$753,010             |
| Surgical Technicians  | \$19.24                  | 4.2                                  | \$168,081             |
| Administrative Staff  | \$23.41                  | 8.2                                  | \$399,281             |
| Site Administrator  | \$55                     | 1                                    | \$114,400             |
| ASTC Administrator<br>(Custom Surgical<br>Consultants, LLC) | Annual Management<br>Fee | N/A                                  | \$60,000              |
| <b>TOTAL</b>  |                          | <b>25.2 + CSC Mgt<br/>Consultant</b> | <b>\$1,494,772</b>    |

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate physician's staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

**RESPONSE:** Qualified surgeons and clinical staff are readily available. From a surgical staff perspective, Applicant anticipates that Applicant's three employed orthopedic surgeons and at least thirteen additional surgeons from the community will be credentialed to utilize the ASTC as of the go-live date. From a clinical staff perspective, Lebanon is a sophisticated health care community with a ready supply of trained and competent health care staff. Due to the convenient access to Lebanon from the I-40, I-840 and I-65 corridors, Lebanon also draws human resources from surrounding communities both inside and outside of Wilson County.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

**RESPONSE:** Applicant has reviewed and understands all applicable licensing certifications for medical and clinical staff involved with the delivery of ASTC services.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.)

**RESPONSE:** Applicant participates in shadowing programs with students who express interest in the health care professions. Applicant also participates in the physician assistant clinical training program at Trevecca University and the nurse practitioner clinical training program at Vanderbilt University.



7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

**RESPONSE:** Applicant has reviewed and understands the applicable licensure and Medicare requirements for ASTC services.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

**RESPONSE:** Applicant will be licensed, certified and accredited as follows:

- Licensure: Tennessee Department of Health, Health-Related Boards Division.
- Certification: U.S. Centers for Medicare and Medicaid Services.
- Accreditation: Accreditation Association for Ambulatory Health Care.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

**RESPONSE:** "N/A." Applicant's proposal is for a new ASTC facility.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

**RESPONSE:** "N/A." Applicant's proposal is for a new ASTC facility.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against physician's licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

**RESPONSE:** None.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

**RESPONSE:** None.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

**RESPONSE:** Yes.

## PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

**RESPONSE:** See Proof of Publication on the following page.

158590

# LEBANON PUBLISHING CO., INC.

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113 EAST MAIN STREET  
LEBANON TN 37087

I hereby certify that the attached advertisement of NOTIFICATION OF INTENT T  
in space of 63.70 lines was published in the THE LEBANON DEMOCRAT  
On :

05/10/2016

Signed Kim Rollins  
representative of publisher

Total Cost of Publication: \$406.50

Subscribed and sworn to before me this

10th day of May, 2016

Tammy Williams  
notary public  
Tammy Williams



02/11/2019

0038

Ad text : NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

. This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. ^ 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

Tennessee Orthopedics, P.C.  
Professional Private Practice  
(Name of Applicant)  
(Facility Type-Existing)

owned by: Roy C. Terry, M.D. with  
an ownership type of Professional Corporation

and to be managed by: Custom Surgical Consultants, L.L.C.  
intends to file an application for a  
Certificate of Need for: Establishment of a multi-specialty  
ambulatory surgical treatment center to be  
located in leased space at 101 Physicians Way, Lebanon, TN  
37090. The ASTC will include three  
operating rooms and one procedure room, and will be managed by  
Custom Surgical Consultants, L.L.C. No beds or major medical  
equipment will be involved. Total Estimated Project Cost is  
\$2,726,676.

The anticipated date of filing the application is:  
May 13, 2016

The contact person for this project is Christi D. Griffin,  
Esq. Counsel to  
Applicant

(Contact Name)  
(Title)

who may be reached at: Griffin Law Office  
113 E. Main Street  
(Company Name)

(Address)

Lebanon TN  
37087 (615) 668-0462  
(City) (State) (Zip Code) (Area Code / Phone Number)

Upon written request by interested parties, a local  
Fact-Finding public hearing shall be conducted. Written  
requests for hearing should be sent to:

Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, Tennessee 37243

The published Letter of Intent must contain the following  
statement pursuant to T.C.A. ^ 68-11-1607(c)  
(1). (A) Any health care institution wishing to oppose a  
Certificate of Need application must file a written  
notice with the Health Services and Development Agency no

0039

- later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

## DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

### **RESPONSE:**

See Project Completion Forecast Chart on next page.

2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

**RESPONSE:** "N/A." The project is expected to be completed within the period of validity as defined above.

Form HF0004  
Revised 02/01/06  
Previous Forms are obsolete

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date as published in T.C.A. § 68-11-1609(c): August 2016

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

| Phase  | DAYS<br>REQUIRED | Anticipated<br>Date<br>(MONTH/YEAR) |
|--|------------------|-------------------------------------|
| 1. Architectural and engineering contract signed                         | 10 Days          | 08/2016                             |
| 2. Construction documents approved by the Tennessee Department of Health | 90 Days          | 12/2016                             |
| 3. Construction contract signed  | 30 Days          | 01/2017                             |
| 4. Building permit signed  | 60 Days          | 03/2017                             |
| 5. Site preparation completed  | N/A              | N/A                                 |
| 6. Building construction commenced                                       | N/A              | N/A                                 |
| 7. Construction 40% complete   | 60 Days          | 05/2017                             |
| 8. Construction 80% complete   | 30 Days          | 06/2017                             |
| 9. Construction 100% complete (approved for occupancy)                   | 90 Days          | 09/2017                             |
| 10. *Issuance of license   | 120 Days         | 12/2017                             |
| 11. *Initiation of service   | 30 Days          | 01/2018                             |
| 12. Final Architectural Certification of Payment                         | 90 Days          | 03/2018                             |
| 13. Final Project Report Form (HF0055)                                   | 90 Days          | 06/2018                             |

\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.


Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF WILSON

ROY C. TERRY, M.D., being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68- 11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

  
SIGNATURE/TITLE

Sworn to and subscribed before me this 9 day of May, 2016, a Notary  
(Month) (Year)

Public in and for the County/State of Wilson County, Tennessee.



  
NOTARY PUBLIC

My commission expires March 4, 2019.  
(Month/Day) (Year)

**0043**



Secretary of State  
Division of Business Services  
312 Eighth Avenue North  
1 Floor, William R. Snodgrass Tower  
Nashville, Tennessee 37243

DATE: 04/29/03  
REQUEST NUMBER: 4802-0553  
TELEPHONE CONTACT: (615) 741-2286  
FILE DATE/TIME: 04/28/03 0851  
EFFECTIVE DATE/TIME: 04/28/03 0851  
CONTROL NUMBER: 0445937

TO:  
TENNESSEE ORTHOPEDICS, P.C.  
1616 WEST MAIN ST  
LEBANON, TN 37087

RE:  
TENNESSEE ORTHOPEDICS, P.C.  
CHARTER - FOR PROFIT

CONGRATULATIONS UPON THE INCORPORATION OF THE ABOVE ENTITY IN THE STATE OF TENNESSEE, WHICH IS EFFECTIVE AS INDICATED.

A CORPORATION ANNUAL REPORT MUST BE FILED WITH THE SECRETARY OF STATE ON OR BEFORE THE FIRST DAY OF THE FOURTH MONTH FOLLOWING THE CLOSE OF THE CORPORATION'S FISCAL YEAR. ONCE THE FISCAL YEAR HAS BEEN ESTABLISHED, PLEASE PROVIDE THIS OFFICE WITH THE WRITTEN NOTIFICATION. THIS OFFICE WILL MAIL THE REPORT DURING THE LAST MONTH OF SAID FISCAL YEAR TO THE CORPORATION AT THE ADDRESS OF ITS PRINCIPAL OFFICE OR TO A MAILING ADDRESS PROVIDED TO THIS OFFICE IN WRITING. FAILURE TO FILE THIS REPORT OR TO MAINTAIN A REGISTERED AGENT AND OFFICE WILL SUBJECT THE CORPORATION TO ADMINISTRATIVE DISSOLUTION.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE. PLEASE BE ADVISED THAT THIS DOCUMENT MUST ALSO BE FILED IN THE OFFICE OF THE REGISTER OF DEEDS IN THE COUNTY WHEREIN A CORPORATION HAS ITS PRINCIPAL OFFICE IF SUCH PRINCIPAL OFFICE IS IN TENNESSEE.

BK/PG:990/1474-1480

03192695

|                       |       |
|-----------------------|-------|
| 7 PGS : AL - CHARTER  |       |
| MISTY BATCH: 9051     |       |
| 05/12/2003 - 11:35 PM |       |
| VALUE                 | 0.00  |
| MORTGAGE TAX          | 0.00  |
| TRANSFER TAX          | 0.00  |
| RECORDING FEE         | 4.00  |
| DP FEE                | 2.00  |
| REGISTER'S FEE        | 5.00  |
| TOTAL AMOUNT          | 11.00 |

STATE OF TENNESSEE, WILSON COUNTY

JOHN B SPICKARD  
REGISTER OF DEEDS

FOR: CHARTER - FOR PROFIT

ON DATE: 04/28/03

FROM:  
TENNESSEE ORTHOPEDICS, P.C.  
1616 WEST MAIN ST  
LEBANON, TN 37087-0000

RECEIVED: FEES \$100.00 \$0.00  
TOTAL PAYMENT RECEIVED: \$100.00

RECEIPT NUMBER: 00003269656  
ACCOUNT NUMBER: 00424118



SS-4458

*Riley C Darnell*

RILEY C. DARNELL  
SECRETARY OF STATE

0044

STATE OF TENNESSEE

CHARTER

OF

TENNESSEE ORTHOPEDICS, P.C.

RECEIVED  
STATE OF TENNESSEE  
03 APR 28 AM 8:51  
RILEY EARNELL  
SECRETARY OF STATE

FILED

Pursuant to the provisions of Section 48-20-101 of the Tennessee Business Corporation Act, the undersigned natural person hereby adopts the following charter for such corporation:

1. The name of the corporation is TENNESSEE ORTHOPEDICS, P.C.
2. The corporation is a Tennessee professional corporation and is perpetual.
3. The principal address of the corporation's registered office in Tennessee is:  
1616 West Main Street  
Lebanon, Tennessee 37087  
Wilson County, Tennessee  
The mailing address of the corporation's registered office in Tennessee is:  
1616 West Main Street  
Lebanon, Tennessee 37087  
Wilson County, Tennessee  
The name of the initial registered agent, to be located at this physical address is:  
Stephen M. Neely
4. The name and address of each initial incorporator is: Stephen M. Neely

0045

169 Powell Grove Road  
Lebanon, Tennessee 37090  
Wilson County, Tennessee

5. The corporation is a professional corporation and the purpose or purposes for this corporation are to render professional medical services and services ancillary to professional medical services. However, the purpose shall not be limited to only such services, but shall allow all other lawful business related thereto or necessary for the operation of the business.
6. The maximum number of shares which the corporation shall have the authority to issue is one hundred thousand (100,000) shares without par value. There shall be one class of shares.
7. The corporation will not commence business until consideration of one thousand dollars (\$1,000) has been received for the issuance of shares.
8. The corporation shall have the power:
  - (a) To have succession by its corporate name;
  - (b) To sue and be sued, complain and defend in its corporate name;
  - (c) To acquire, hold, deal in and dispose of property of all kinds of any interest therein;
  - (d) To accept gifts, devises and bequests subject to any conditions or limitations contained in such gift, devise and bequest as long as such

0046

conditions or limitations are not contrary to the provisions of Chapters 1 through 14 of this title or to the purposes for which such corporation are organized;

- (e) To establish bylaws and make all rules and regulations not inconsistent with the law or the constitution of this state or the United States which may be deemed expedient for the management of corporate affairs;
- (f) To elect or appoint officers, employees and other agents of the corporation, define their duties and fix their compensation and the compensation of directors;
- (g) To make contracts, to incur liabilities, borrow money at such rates of interest as the corporation may determine, issue its notes, bonds and other obligations and secure any of its obligations by mortgage, pledge or otherwise;
- (h) To purchase, take, receive, subscribe for or otherwise acquire, own, hold, vote, employ, sell, lend, lease, exchange, transfer or otherwise dispose of mortgage, pledge, use, and otherwise deal in and with bonds and other obligations, shares or other securities or interest issued by others, whether engaged in similar or different business activities, government or other activities;

- (i) To conduct its business or affairs, carry on its operations and have offices and exercise the powers granted by Chapters 1 through 14 of this title anywhere;
- (j) To make donations for the public welfare or for charitable, scientific, religious or educational purposes, provided, however, that corporations for profit may make such donations only out of earned surplus and shall charge such donations to operating expenses; and further provided, this power shall be granted to corporations chartered by special legislative acts prior to the Constitution of 1870, except in the case of a corporation with a special legislative charter which contains provisions forbidding or limiting the exercise of the power herein granted;
- (k) To procure for its benefit insurance on the life of an employee, including any officer, whose death might cause financial loss to the corporation, and to this end the corporation is deemed to have an insurable interest in its employees and officers; if a corporation for profit, to pay pensions and establish and carry out pension plans, stock option plans, and other incentive plans for any or all of its directors, officers and employees;

- (l) To enter into any partnership with others or union of interest with respect to any transaction, operation, or venture with others;
  - (m) To have and exercise all powers necessary or convenient to effect any or all of the purposes for which the corporation is organized.
9. No director of the corporation shall be personally liable for monetary damages as such to the corporation or its shareholders for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or it's shareholder's, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or (iii) under Section 48-18-304 of the Tennessee Business Corporation Act as amended. If the Tennessee Business Corporation Act is amended or interpreted to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of each director of the corporation shall be eliminated or limited to the fullest extent permitted by the Tennessee Business Corporation Act, as amended or reinterpreted.
10. The corporation's fiscal year closing month is December.
11. The corporation is for profit.

12. This corporation is to become effective April 24, 2003.

DATED: April 24, 2003

  
STEPHEN M. NEELY, INCORPORATOR



STATE OF TENNESSEE  
Tre Hargett, Secretary of State  
Division of Business Services  
William R. Snodgrass Tower  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

CHRISTI GRIFFIN  
113 EAST MAIN STREET  
LEBANON, TN 37087

May 5, 2016

Request Type: Certificate of Existence/Authorization  
Request #: 0201491

Issuance Date: 05/05/2016  
Copies Requested: 1

Document Receipt

Receipt #: 002683754

Filing Fee: \$20.00

Payment-Credit Card - State Payment Center - CC #: 3672520630

\$20.00

Regarding: TENNESSEE ORTHOPEDICS, P.C.

Filing Type: For-profit Corporation - Domestic

Formation/Qualification Date: 04/28/2003

Status: Active

Duration Term: Perpetual

Business County: WILSON COUNTY

Control #: 445937

Date Formed: 04/28/2003

Formation Locale: TENNESSEE

Inactive Date:

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

TENNESSEE ORTHOPEDICS, P.C.

\* is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;

\* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;

\* has filed the most recent annual report required with this office;

\* has appointed a registered agent and registered office in this State;

\* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett  
Secretary of State

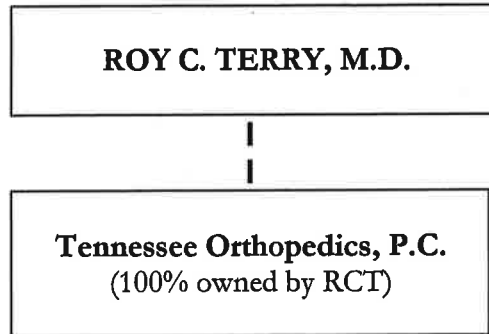
Processed By: Cert Web User

Verification #: 017221219



Attachment A, Applicant Profile-4  
(Organizational Chart)

**TENNESSEE ORTHOPEDICS, P.C.  
ORGANIZATIONAL CHART**





May 2, 2016

Tennessee Orthopedics

***Re: Non-Binding Letter of Intent***

Dear Ms. Griffin,

This Letter of Intent summarize the terms and conditions under which Custom Surgical Consultants, LLC ("CSC"), Tennessee Orthopedics, a ("CLIENT") (each referred to herein as a "Party" and collectively the "Parties") propose to enter into a relationship (the "Relationship") wherein the Parties would work together for the purpose of providing the CLIENT with various services related to creating a multi-specialty ambulatory surgery treatment center.

The terms and condition of the Relationship are subject to further discussion and agreement and therefore, except as specifically provided below, this Letter of Intent and the Term Sheet are non-binding in nature and no Party is under any obligation to consummate the Relationship. Neither party is obligated, legally or otherwise, to contract with one another.

When duly executed and returned, this Letter of Intent will be binding with respect to the following numbered provisions (and only the following numbered provisions).

1. **Publicity**

Unless otherwise agreed by the Parties in writing, from the date of this Letter of Intent through and including the date of termination (as set forth below and as defined in the Term Sheet), there will be no disclosure by any Party of either the existence or substance of this Letter of Intent or the negotiations and discussions between the Parties with respect to the Relationship, except: (a) to the extent necessary to enforce rights hereunder or (b) as counsel to the Parties agree is necessary to comply with the requirements of any applicable federal or state law. Full confidentiality will be maintained by both parties.

2. Termination

This Letter of Intent may be terminated and future negotiations regarding the Relationship abandoned by any Party hereto, for any reason or no reason, upon written notice to the non-terminating Party. If not sooner terminated, this Letter of Intent shall terminate six (6) months from the date set forth above if the Consultant Agreement (as defined in the Term Sheet) has not been executed by that date. Notwithstanding the foregoing, upon termination this Letter of Intent, the provisions of paragraph 1 (with respect to publicity), this paragraph 2 (relating to termination) and paragraph 3 (relating to governing law and jurisdiction) shall remain binding and enforceable upon the Parties hereto.

3. Governing Law

This Letter of Intent is governed by the laws of the State of Tennessee, without regard to the provisions thereof which concern conflicts of laws. The Consultant Agreement, if and when executed, shall also be governed by Tennessee Law. Any dispute relating to the interpretation or enforcement of this Letter of Intent, or rights or obligations hereunder, or any dispute relating to the Consultant Agreement, or rights or obligations hereunder, shall be brought in federal or state courts sitting in Wilson County, Tennessee and all of the Parties hereto hereby consent and submit to the jurisdiction of such courts.

4. Counterpart Signatures

This Letter of Intent may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

If the foregoing is acceptable, please acknowledge by executing this Letter of Intent below and returning a copy to the undersigned at the address provided herein.

Very truly yours,  
Tina DiMarino and Mike Grasham

Custom Surgical Consultants, LLC

Name

By: Tina DiMarino, RN  
Its: COO

ACCEPTED:

CLIENT: Tennessee Orthopedics

By: [Signature]

Its: [Signature]

Date: 5/5/2016

CSC, LLC · 1151 Heaps Road Street, MD 21154 · 443-417-5957 · 410-935-5194 · 410-452-0365 Fax  
www.customsurgicalconsultants.com

Doc# 54500050216

LEASE AGREEMENT SUMMARY PAGE

Effective Date of Lease: May 13, 2016

Landlord: Phoenix Medical Office Building, LLC

Building Name: Phoenix Medical Office Building, LLC ("PMOB")  
Address: 101 Physicians Way  
Lebanon, TN 37090

Landlord Address: 101 Physicians Way, Suite 111  
Lebanon, TN 37090

Tenant: Tennessee Orthopedics, PC ("ASTC")  
Leased Premises: PMOB, Suite 114

Address for Remitting Rent Payments:  
101 Physicians Way, Suite 111  
Lebanon, TN 37090

Lease Commencement Date ("LCD"): Occupancy Date  
Lease Termination Date: 7 Years after Occupancy Date  
Security Deposit Paid: N/A  
Annual Rent Increase: 3%

Number of Rentable Square Feet: 5,684  
Number of Useable Square Feet: 5,684  
Tenant's Pro Rata Share of Rentable Building Square  
Footage: 22.7%

Occupancy Date: Such date that Landlord Delivers Leased  
Premises to Tenant for Occupancy

Use Purpose: Ambulatory Surgical Treatment Center ("ASTC")

Monthly Rent Amortization Schedule: As set forth on Exhibit A

Additional Rent: Water, electricity, sewer, ventilation, gas, propane, heat, air conditioning, insurance, property taxes, maintenance, janitorial services for the Building common areas ("CAM") including the common break room will be charged to Tenant as Additional Rent in proportion to Tenant's Pro Rata Share of Rentable Building Square Footage. This amount shall be determined each year and written notice of the monthly amortization of Additional Rent to be paid shall be provided to Tenant on or before the commencement of a new Lease Year. The cost of ASTC build-out will also be charged to Tenant as Additional Rent

Expenses Paid Directly by Tenant:  
(CHECK ALL THAT APPLY)

- X Separately metered utilities for the Leased Premises: utilities, heat and air, water
- X Communications services, to include telephone, Internet, cable and other communications services used in the Leased Premises
- X Maintenance services to keep and maintain the interior of the Leased Premises in good condition, repair and working order, to include without limitation, fixtures, doors, interior walls, flooring, and appurtenances
- X Janitorial services for the Leased Premises

Improvements:

- ☐ A. First Time Standard Build-Out    ☐ B. Existing Space (New Tenant or Renewal)    ☐ C. Landlord to Build Out Space (Ex. A)

The parties hereby enter into this Lease (as defined below) by and between Phoenix Medical Office Building, LLC ("Landlord") and Tennessee Orthopedics, PC ("Tenant"), effective as of the Effective Date. This Lease shall replace any and all former lease agreements between the parties, and any such former lease agreements shall be hereby terminated with no further force and effect as of 11:59 PM on the day immediately preceding the LCD.

This Lease is comprised of the following documents, each of which shall be attached hereto and fully incorporated into the Lease as if fully set forth therein:

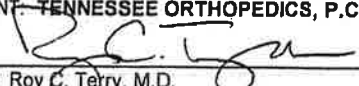
(CHECK ALL THAT APPLY)

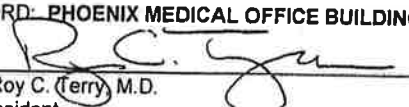
- X Lease Agreement Summary Page
- X Lease Agreement Terms and Conditions
- X Exhibit A - Monthly Rent Amortization Schedule
- X Exhibit B - Building Rules and Regulations
- X Exhibit C - Landlord Build-Out Specifications
- X Exhibit D - Description of Leased Premises

Signatures:

TENANT: TENNESSEE ORTHOPEDICS, P.C.

LANDLORD: PHOENIX MEDICAL OFFICE BUILDING, LLC

By:   
Name: Roy C. Terry, M.D.  
Title: President

By:   
Name: Roy C. Terry, M.D.  
Title: President

LEASE AGREEMENT TERMS AND CONDITIONS

This Lease Agreement ("Lease"), effective as of the May 13, 2016, is by and between Landlord, a Tennessee limited liability company with its principal place of business at 101 Physicians Way, Suite 111, Lebanon, Tennessee 37090, and Tenant, a professional corporation company with its principal place of business at 101 Physicians Way, Suite 114, Lebanon, Tennessee 37090.

WHEREAS, Landlord owns the Phoenix Medical Office Building located at 101 Physicians Way, Lebanon, TN 37090 ("Building"), and leases office space in the Building to commercial enterprises as approved by Landlord to lease space in the Building.

WHEREAS, the Building is subject to restrictive covenants adopted by the Franklin-South Hartmann Property Owners Association, Inc. property owners association ("Covenants") that govern, in pertinent part, the types of commercial enterprises permitted to lease space in the Building.

WHEREAS, Landlord has established certain financial, commercial and other criteria for commercial enterprises wishing to lease office space in the Building ("Landlord Criteria"), and all such enterprises are subject to the Covenants and the Landlord Criteria.

WHEREAS, Tenant desires to lease office space in the Building for the Use Purpose set forth on the Lease Agreement Summary Page, and based upon information provided by Tenant to Landlord, has been determined by Landlord to satisfy the Covenants and the Landlord Criteria.

WHEREAS, and Landlord and Tenant wish to enter into this Lease on the terms and conditions more particularly set forth herein.

NOW THEREFORE, in consideration of the foregoing recitals and the following terms and conditions, the sufficiency of which are hereby acknowledged, the parties (defined herein as "Landlord" and "Tenant") covenant and agree as follows:

I. CAPITALIZED TERMS. Unless otherwise defined herein or in any Exhibit to this Lease, the capitalized terms defined herein shall have the same meaning ascribed to such terms in the Lease Agreement Summary Page.

II. LEASED PREMISES; AGREEMENT TO LEASE. Upon the terms and conditions hereinafter set forth, Landlord does hereby lease to Tenant, and Tenant does hereby lease from Landlord, on a full-time basis, the Leased Premises for the Term hereinafter defined.

III. ASSIGNMENT; SUBLETTING. Tenant shall not, without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion, sublease, license or assign all or any portion of its interest under this Lease to any other person or entity. Assignment or subletting without the prior consent of Landlord, including assignment by operation of the law, shall constitute an event of default. In no event, whether with or without consent of Landlord, shall a sublease, license or assignment of this Lease relieve Tenant of liability under the terms and conditions of this Lease. Any assignment or sublease shall be subject to the Legal Compliance provisions in Section XXI of this Lease, and Tenant shall provide Landlord with a written and signed opinion of legal counsel setting forth that the assignment or sublease, as applicable, complies with any Fraud and Abuse Laws as defined in Section XXI. In no event may Tenant assign or sublease all or any portion of the Leased Premises at a rent that is greater than the Rent paid by Tenant hereunder. Any assignment and sublease agreements entered into pursuant to this Section are subject to the review and written approval of Landlord.

IV. RENT. In consideration of this Lease, Tenant shall pay to Landlord, on or before the first day of each calendar month ("Due Date") on and after the LCD and continuing through the Term hereof, the amount of (i) Base Rent and (ii) Additional Rent as shown on the Lease Agreement Summary Page, together with any other amounts as are due and payable under this lease (Base Rent, Additional Rent and such other additional amounts collectively referred to herein as "Rent"); provided however, that in the event the LCD is any day other than the first day of a calendar month, then upon the LCD, Tenant shall pay to Landlord a pro rata portion of the Rent for that portion of the calendar month remaining from the LCD to the first day of the next calendar month.

A. During the Initial Term, the amount of the Rent shall be increased at the commencement of each Lease Year (hereinafter defined) following the first Lease Year, by the percentage amount set forth in the Lease Agreement Summary Page and as more particularly set forth in the Monthly Rent Amortization Schedule set forth therein. It is expressly understood and agreed that Landlord shall apply all Rent paid by Tenant hereunder first to the amounts due from Tenant which have been outstanding for the longest period of time. The term "Lease Year" is defined as the twelve-month period commencing on the LCD, and each anniversary thereof; provided however, that if the LCD is any day other than the first day of a calendar month, then the Lease Year shall be the twelve-month period commencing on the first day of the calendar month following the LCD, and the first Lease Year shall include the remainder of the calendar month in which the LCD occurs.

B. Tenant agrees to pay such Rent as may be owed to Landlord hereunder at the times and in the manner herein provided, without any setoff, deduction or counterclaim whatsoever except as otherwise provided in this Lease.

C. Time is of the essence in the performance of Tenant's obligations hereunder. If any Rent owed by Tenant to Landlord hereunder is not paid within ten days following the Due Date (as defined in the preamble to this Section III), Landlord may, in its sole discretion, impose on Tenant a late charge equal to One Hundred Fifty and No/100 Dollars (\$150.00) and may require

Tenant to pay any amounts due hereunder through an Automatic Clearing House system or other automatic payment system as Landlord may choose in Landlord's sole discretion. Such late charge is to defray the administrative costs and inconvenience and other expenses that Landlord may incur on account of such delinquency and, if imposed by Landlord, shall become due and payable from Tenant to Landlord on the next Due Date.

V. SECURITY DEPOSIT (IF APPLICABLE). Tenant shall deposit with Landlord a Security Deposit in the total amount set forth on the Lease Agreement Summary Page, said deposit to be paid on the date Tenant executes this Lease. The Security Deposit shall be held by Landlord without liability for interest and with the understanding that: (i) the Security Deposit or any portion thereof may be applied to the curing of any default, without prejudice to any other remedy or remedies which Landlord may have on account thereof, and upon such application, Tenant shall pay Landlord on demand the amount so applied which, when paid, shall be added to the Security Deposit so the same will be restored to its original amount; (ii) Landlord shall not be obligated to hold the Security Deposit as a separate fund, but may commingle it with other funds; and (iii) if Tenant is not in default, the remaining balance of the Security Deposit shall be returned to Tenant, without interest, within thirty days after the expiration of the Term or other termination of this Lease; provided, however, Landlord shall have the right to retain and expend such remaining balance for cleaning and repairing the Leased Premises if Tenant shall fail to deliver the Leased Premises at the termination of this Lease in a neat and clean condition and in as good a condition as existed at the date of possession of same by Tenant, except for ordinary wear and tear. Landlord shall have the right to use the Security Deposit to offset any increase in the Monthly Rent, Additional Rent or other amounts due from tenant hereunder which is either not collected by Landlord or not paid by Tenant pursuant to the terms of this Lease.

VI. LANDLORD OBLIGATIONS.

A. Common Areas. Landlord shall provide for and pay the following expenses attributable to the Building Common Areas (CAM) including the common break room, and shall charge such expenses to Tenant as Additional Rent in proportion to Tenant's Pro Rata Share of Rentable Building Square Footage, as more particularly set forth in the Lease Agreement Summary Page: Water, electricity, sewer, ventilation, gas, propane, heat, air conditioning, insurance, property taxes, maintenance and janitorial services.

B. Structural Maintenance. In addition to the foregoing maintenance obligations, Landlord shall maintain, repair and replace all exterior walls and other features of the Building exterior, including but not limited to, the roof and all mechanical systems, air conditioning, heating, plumbing, wiring and piping.

C. Insurance. Landlord shall maintain fire and extended coverage insurance on the Building in which the Leased Premises are located in an amount not less than the full replacement cost of the Building; provided that Tenant shall be responsible for providing insurance on Tenant's furnishings, fixtures, medical equipment and supplies, office supplies, records and other personal property ("Personal Property") as set forth in Section VIII.

D. Taxes. Landlord shall be responsible for payment of all real estate taxes assessed against the Building or the property upon which the Building is sited, including any applicable local, state and federal income taxes which are or may be payable by Landlord by virtue of Landlord's ownership of the Building and/or property upon which the Building is sited.

E. Landlord Build Out. If subpart C under "Improvements" on the Lease Agreement Summary Page has been checked, Landlord shall be responsible for building out the Leased Premises as further described on Exhibit C, attached hereto and incorporated herein by reference. All such build out shall be conducted by Evergreen Constructors, LLC or such other builder as Landlord provides advance written approval.

F. Quiet Enjoyment. Landlord warrants and shall defend Tenant in the quiet enjoyment and possession of the Leased Premises during the Term.

VII. TENANT OBLIGATIONS.

A. Use of Leased Premises. Tenant shall use the Leased Premises for the purpose as set forth on the Lease Summary page and for business purposes reasonably ancillary thereto, and for no other purpose. Tenant and its employees and agents providing services in the Leased Premises shall use and operate the Leased Premises only in accordance with all federal, state, county and local laws, regulations, ordinances and orders ("Laws") applicable to Tenant's business as described herein. In no event shall the Leased Premises or any part thereof be used for any other purpose, nor shall any activity be conducted in the Leased Premises, that (i) is deemed by Landlord or its insurer to be extra-hazardous on account of fire risk, (ii) may reasonably cause a cancellation of any insurance policy covering the Building, or (iii) creates a nuisance; all in such determinations to be made in Landlord's sole discretion. Tenant will conduct its business, and control its agents, employees, and invitees in such a manner so as to not create any nuisance or interfere with, annoy or disturb other tenants or Landlord in the use, operation and management of the Building.

B. Certificate of Occupancy; Fire Inspection. Before taking occupancy of the Leased Premises, Tenant shall have obtained, and provided to Landlord, a certificate of occupancy, fire inspection, and any other approval of the city and/or county building code enforcement agencies. Any such certificates, fire inspections or other documentation required by this section shall be subject to Landlord's acceptance, which shall be in Landlord's sole reasonable discretion.

C. Delivery of Leased Premises at Lease Termination. Tenant shall deliver to Landlord, on or before the date that this Lease shall terminate, physical possession of the Leased Premises in good condition; provided that Tenant shall not be

responsible for reasonable wear and tear, damage by fire, or other casualty to the Leased Premises.

D. **Taxes.** Tenant shall pay directly to the taxing agencies any ad valorem or other property taxes, personal and intangible taxes payable in connection with the use, occupancy or conduct of business on any part of the Leased Premises, including but not limited to personal property, business, privilege, license, excise, sales, use and occupation taxes (but excluding taxes payable by Landlord). Tenant shall be responsible for all taxes assessed against their stock and inventory, tangible personal property or their business and/or business operations.

E. **Operating and Maintenance Expenses.** Tenant shall contract directly with, and shall pay directly, service providers necessary to provide separately metered utilities, communications services, maintenance services, and janitorial services as more particularly set forth in the Lease Agreement Summary Page.

F. **Improvements.** Tenant shall not make any structural changes, alterations, additions or improvements to the Leased Premises without the prior written consent of Landlord. Except as otherwise provided in Section VI herein, Landlord shall have no obligation to make or to pay for improvements to the Leased Premises, nor shall Landlord have any obligation or liability arising from improvements made by Tenant either with or without Landlord's consent.

G. **Medical and Pharmaceutical Waste; Hazardous Substances.** Tenant, at Tenant's sole cost and expense, shall be responsible for the management and removal of any medical and pharmaceutical waste ("Waste") or Hazardous Substances (as hereinafter defined) within and from the Leased Premises in accordance with all applicable Laws. Tenant shall not permit the mixing or disposal of any Waste or Hazardous Substances with general office waste, and Landlord shall have no duty or obligation to remove any such Waste or Hazardous Substances from the Leased Premises. Without limiting the generality of the foregoing, Tenant shall comply strictly and in all respects with the requirements of all laws applicable to Waste and Hazardous Substances, and shall indemnify Landlord and hold Landlord harmless from and against any liabilities, costs or expenses that may arise on account of the release, discharge, storage, disposal, treatment, processing or other handling or discovery of any such Waste or Hazardous Substance. As used herein, "Hazardous Substance" means any substance, material or matter that may give rise to liability under any Hazardous Waste Laws, including (but not limited to) medical waste and petroleum products or petroleum wastes. "Hazardous Waste Laws" shall mean any local, state or federal laws, rules, ordinances, regulations, and policy and guidance statements by any environmental agencies, either in existence as of the date hereof, or enacted, promulgated or issued after the date of this Lease, that concern the management, control, discharge, treatment, containment or removal of substances or materials that are or may become a threat to public health or the environment, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and the Resource Conservation and Recovery Act ("RCRA").

H. **Security.** Tenant may install a security system for the Leased Premises only upon Landlord's prior written approval, which shall be at Landlord's sole discretion and upon terms and conditions solely determined by Landlord. Tenant may not provide access to the Building or Leased Premises to any person for any purpose other than to carry out Tenant's business purpose as described in this Lease.

I. **Landlord Right of Access.** Landlord and its agents shall have reasonable access to the Leased Premises during all reasonable business hours for the purpose of examining same to ascertain if they are in good repair, to make reasonable repairs that Landlord may be required to make hereunder, and in emergency situations; provided that if Tenant's business requires Tenant to restrict Landlord's access to the Leased Premises or any part thereof, Tenant shall be readily available, through its employees or agents who are authorized to access the restricted premises, to assist Landlord in gaining access to the Lease Premises for any of the foregoing purposes. Tenant shall provide Landlord with written notice of any such restrictions and Tenant's representatives designated to provide Landlord with the necessary access as described herein.

J. **Building Rules and Regulations.** Tenant shall comply with the Building Rules and Regulations set forth in Exhibit B, as such rules and regulations may be amended from time to time in Landlord's sole determination.

K. **Franklin-South Hartmann Property Owners Association, Inc. Bylaws and Rules and Regulations.** Tenant shall comply with any and all such Bylaws and Rules and Regulations, copies of which shall be provided upon Tenant's request.

VIII. **INSURANCE.** Tenant shall keep and maintain at all times during the Term the following insurance coverage on the Leased Premises.

A. **Comprehensive general liability insurance** on the Leased Premises in the sum of \$1,000,000 per occurrence and \$2,000,000 annual aggregate insuring against liability for bodily injury and death.

B. **Property damage insurance** in the amount of \$1,000,000 per occurrence insuring against liability for damage to property arising out of the maintenance or use of the Leased Premises.

C. **Casualty insurance** insuring Tenant against loss or damage to Tenant's Personal Property caused by fire and all other casualties usually covered under an "all risk" policy of casualty insurance.

D. In addition to the foregoing, Tenant shall maintain such additional insurance policies as are commercially reasonable for Tenant's business operations, and in such amounts as are commercially reasonable to insure Tenant against losses.

E. The policies set forth herein shall name Landlord as an additional insured. Each year upon the renewal of all policies required hereunder, Tenant shall furnish Landlord with a certificate of coverage listing Landlord as an additional insured and



obligating the insurer to provide Landlord with thirty days' advance written notice of cancellation, termination, or other material change in the insurance policy.

F. Tenant shall not do or permit any act which will increase premiums for any general liability, property, casualty, or other insurance maintained by Landlord on the Building or any other property therein or which shall render such insurance void or voidable.

IX. TERM; RENEWAL; HOLDOVER TENANCY.

A. The term of this Agreement shall commence at 12:00 A.M. on the LCD, and shall terminate at 11:59 P.M. on the Lease Termination Date ("Initial Term") or at the expiration of any Renewal Term as defined in sub-section (B) herein ("Term"). Any and all extensions of the Term must be made by written amendment duly executed by Landlord and Tenant. At the termination of this Lease or any amendment thereto, Tenant shall surrender its interest in the Leased Premises to Landlord in as good condition and repair as reasonable use thereof will permit, ordinary wear and tear excepted, and will leave the Leased Premises broom clean. Tenant shall have the right, prior to said termination, to remove any Personal Property in the Leased Premises owned by Tenant, provided that Tenant promptly repairs any damage to the Leased Premises caused by such removal.

B. Provided that this Lease is in full force and effect and Tenant and any sub-tenant are not in default hereunder, Tenant and any sub-tenant shall have the option to renew this Lease for two (2) successive additional terms of one (1) year each ("Renewal Term"), and under the same terms, conditions, and provisions herein for the initial Term, except for the amount of Rent. The renewal options to be effective must be exercised by Tenant and/or any sub-tenant by written notice to Landlord in the form and manner provided in Section XXV(B) no less than six (6) months prior to the Lease Termination Date. The amount of Rent to be paid under any such Renewal Term shall be at the then-current fair market value of the Leased Premises as determined by a qualified medical office building valuation consultant designated and engaged by Landlord.

C. In the event of holding over by Tenant after the expiration of the Term or any extension thereof, the Base Rent shall be increased to one hundred fifty percent (150%) of the Base Rent amount set forth in the Lease Agreement Summary Page ("Holdover Rent"), and the Lease shall be automatically extended for successive terms of one (1) year each ("Holdover Term"); provided that during any Holdover Term, Landlord and Tenant shall each have the right to terminate this Lease by delivering written notice to the other at least ninety days prior to the desired expiration date. During a Holdover Term, Tenant shall pay, in the manner as set forth in Section III herein, the Holdover Rent, the Additional Rent, and all other amounts due to Landlord hereunder.

X. DEFAULT; TERMINATION. Tenant shall be in default of the terms of this Lease if (i) Tenant shall fail to make a payment of Rent under this Lease when due, and such Rent is not paid within fourteen days following receipt of written notice by Landlord to Tenant of delinquency; provided, that Landlord shall not be obligated to send more than two such notices during any twelve month period; (ii) Tenant neglect of the Leased Premises; (iii) damage to the Leased Premises beyond normal wear and tear; (iv) Tenant, or any other person on the Leased Premises with Tenant's consent, willfully or intentionally commits a violent act or behaves in a manner which constitutes or threatens to be a real and present danger to the health, safety or welfare of the life or property of other tenants, Landlord, Landlord's representatives, or other persons on the Leased Premises; (v) Tenant otherwise commits an act of default under the terms hereof, and shall not cure such default within fourteen days following receipt of written notice by Landlord to Tenant of such default; (vi) any petition shall be filed by or against Tenant pursuant to any section or chapter of the Bankruptcy Code of the United States, as amended (the "Bankruptcy Code") or under any similar law or statute of the United States or any state thereof, or Tenant shall be adjudged bankrupt or insolvent in proceedings filed under any section or chapter of the Bankruptcy Code or under any similar law or statute of the United States or any state thereof; (vii) Tenant shall become insolvent or make a transfer in favor of creditors; (viii) Tenant shall make a general assignment for the benefit of its creditors; (ix) a receiver or trustee shall be appointed for Tenant or any of the assets of Tenant, or (x) Tenant vacates the Leased Premises for more than fourteen days or abandons the Leased Premises. In the event of default by Tenant for any of the foregoing reasons:

A. Upon default by Tenant, Landlord may, at Landlord's sole discretion, (i) continue this Lease in full force and effect and shall have the right to collect Rent due and payable to Landlord under this Lease when such amounts are due, or (ii) terminate the Lease as provided in subsection (B) herein. During any period of continuation that Tenant is in default, Landlord may enter the Leased Premises with legal process and relet the Leased Premises or any part thereof to third parties for Tenant's account. Tenant shall be liable for all reasonable costs incurred by Landlord for entering and reletting the Leased Premises, including without limitation, legal fees (including attorneys' fees), broker's fees and commissions, expenses associated with repairing and/or remodeling the Leased Premises in order to return the Leased Premises to the same condition as when it was received by Tenant from Landlord, and similar costs. Reletting of the Leased Premises may be done for a period shorter or longer than the remaining term of this Lease, and during any period that the Leased Premises is relet, Tenant shall pay to Landlord all amounts due under this Lease on the date such amounts are due, less the amount Landlord receives from any reletting. Landlord shall use commercially reasonable efforts to relet the Leased Premises at a reasonable price. Under this paragraph, Tenant's obligations shall not exceed the total Rent owed under this Lease for the remainder of the Term.

B. Upon default by Tenant, Landlord may, in lieu of continuing the Lease as set forth in subsection (A) herein, and in Landlord's sole discretion, (i) in the case of default pursuant to Section X(i)-(iv), terminate this Lease upon fourteen days prior written notice, or (ii) in the case of default for any other reason, terminate this Lease upon thirty days prior written notice to Tenant. Upon such termination, Landlord shall have the right to collect an amount equal to all expenses, if any (including reasonable attorneys' fees), incurred by Landlord in recovering possession of the Leased Premises and all reasonable costs and charges for the care of the Leased Premises while vacated or abandoned by Tenant.

C. The Parties are entering into this Lease for the purpose of Tenant operating an ASTC in the Leased Premises.



Landlord recognizes that Tenant must receive Certificate of Need Approval from the Tennessee Health Services and Development Agency before establishing the ASTC. Due to the uncertainty of the CON being approved, the Parties therefore acknowledge and agree that Tenant may terminate this Lease without penalty should Tenant's CON application expected to be filed on or about May 13, 2016 be denied; provided that Tenant provides no less than five (5) days prior written notice to Landlord.

D. During any period of default hereunder, Landlord may enter upon the Leased Premises and change, alter, or modify the door locks on all entry doors of the Leased Premises, and permanently or temporarily exclude Tenant, and its agents, employees, representatives and invitees, from the Leased Premises, but only to the extent permitted by, and subject to the requirements of, applicable law in effect at the time of the event of default.

E. Should any of these remedies or any portion thereof not be permitted by the laws of the state where the Building is located, then such remedy or portion thereof shall be considered deleted and unenforceable, and the remaining remedies or portions thereof shall be and remain in full force and effect, and Landlord may avail itself of these as well as any other remedies or damages allowed by law.

F. Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law or equity. Any entry by Landlord upon the Leased Premises may be by use of a master or duplicate key or electronic pass card or any locksmith's entry procedure or other peaceable means. No entry or taking possession of the Leased Premises by Landlord shall be construed as an election on its part to terminate this Lease, unless a written notice of such intention is given to Tenant. In the event Landlord institutes suit against Tenant to collect any amount owed to Landlord pursuant to this Lease, Landlord shall have the right to allow such amounts to accumulate and to bring an action upon several or all of such deficiencies at one time. Any suit shall not prejudice in any way the right of Landlord to bring a similar action for any subsequent deficiency or deficiencies. No waiver by Landlord of any violation or breach of any of the terms, provisions and covenants contained herein shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants of this Lease. Forbearance by Landlord to enforce one or more of the remedies provided herein upon the occurrence of an event of default shall not be deemed or construed to constitute a waiver of any other violation or event of default.

XI. **DAMAGE OR DESTRUCTION.** If the Leased Premises shall be damaged by fire or other casualty, the damage shall be repaired by and at the expense of Landlord (excluding any Personal Property owned by Tenant), provided that such repairs can, in Landlord's opinion, be made within sixty days after the occurrence of such damage. Landlord shall notify Tenant within fifteen days of the event of casualty of its determination. Until such repairs are completed, the Monthly Rent, Additional Rent and other amounts due from Tenant under this Lease shall be abated in proportion to the part of the Leased Premises rendered unusable, but there shall be no abatement if the Leased Premises are rendered unusable for a period equal to one (1) day or less. If such repairs cannot, in Landlord's opinion, be made within sixty days and Landlord nonetheless chooses to repair the Leased Premises, then Tenant may, at its option, continue as Tenant under this Lease until such repairs are completed, during which time all rent shall abate, or Tenant may terminate this Lease. A total destruction of the Building in which the Leased Premises are located shall automatically terminate this Lease. Total destruction of the Building shall be defined as damage greater than fifty percent (50%) of the then replacement value thereof.

XII. **EMINENT DOMAIN.** If the whole of the Leased Premises or so much thereof as to render the balance unusable by Tenant shall be taken under power of eminent domain, this Lease shall automatically terminate as of the effective date of the taking. In the event of a partial taking which does not result in a termination of this Lease, the Monthly Rent, Additional Rent and other amounts due from Tenant hereunder shall remain unaffected. Landlord may, without any obligation or liability to Tenant, stipulate with any condemning authority for a judgment of condemnation without the necessity of a formal suit or judgment of condemnation, and the date of taking under this clause shall then be deemed the date agreed to under the terms of said agreement for stipulation and this Lease shall terminate as of the stipulated date.

XIII. **SUBORDINATION, ATTORNMEN AND NON-DISTURBANCE.**

A. Tenant agrees that this Lease and all rights of Tenant hereunder are and shall be subject and subordinate to any ground or underlying lease which may now or hereafter be in effect regarding the Building or any component thereof, to any mortgage now or hereafter encumbering the Leased Premises or the Building or any component thereof, to all advances made or hereafter to be made upon the security of such mortgage, to all amendments, modifications, renewals, consolidations, extensions and restatements of such mortgage, and to any replacements and substitutions for such mortgage. The terms of this provision shall be self-operative and no further instrument of subordination shall be required. Tenant shall, upon the request of any party in interest, promptly execute such instruments or certificates as may be reasonably required to carry out the intent of this provision.

B. In the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under, or in the event of a deed in lieu of foreclosure with respect to any mortgage covering the Leased Premises or the Building, or in the event of termination of any lease under which Landlord may hold title, Tenant shall, at the option of transferee, attorn to such transferee and shall recognize and be bound and obligated hereunder to such person as the Landlord under this Lease. Tenant agrees to execute any attornment agreement not in conflict with this provision as may be reasonably required to carry out the intent of this provision.

C. Notwithstanding anything contained herein to the contrary, so long as Tenant is not in default in the payment of Monthly Rent, Additional Rent or any other amount due from Tenant pursuant to this Lease, and is not in default of the performance of any other terms, covenants or conditions of this Lease, mortgagee or such person shall not disturb Tenant in its occupancy of the Leased Premises during the original or any renewal term of this Lease notwithstanding any event or proceedings described in this section.

XIV. **ESTOPPEL CERTIFICATE.** Within thirty days after written request from Landlord, Tenant shall deliver an executed statement addressed to Landlord certifying (if such be the case) that this Lease is in full force and effect, that Tenant has commenced the payment of Monthly Rent and the Additional Rent, and that there are no defenses or offsets to this Lease claimed by Tenant, as well as any other information reasonably requested. If Tenant fails or refuses to give a certificate hereunder within the required time frame, then the information on such certificate as submitted by Landlord shall be deemed correct for all purposes and Landlord shall have the right to treat such failure or refusal as a default by Tenant.

XV. **DAMAGE TO PROPERTY/INJURY TO PERSON.** Tenant shall and hereby does indemnify and hold Landlord harmless from and against any and all claims to the extent they arise from (i) Tenant's use of the Leased Premises or the conduct of its business, (ii) any activity, work or thing done, permitted or suffered by the Tenant in or about the Leased Premises, (iii) any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, and (iv) any act of negligence or intentional misconduct of Tenant or its agents or employees.

XVI. **LIMITATION OF LANDLORD LIABILITY.** The liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall (i) be limited to the actual interest of Landlord and any owner, director, officer, employee, agent or representative of Landlord ("Landlord Representatives") in the Leased Premises, and (ii) Tenant agrees to look solely to Landlord's interest in the Leased Premises for satisfaction of any liability. Landlord's liability to Tenant hereunder shall be limited to proceeds paid or payable under the insurance policies required to be maintained by Landlord pursuant to Section VI(C), and shall be reduced by the amount of insurance proceeds paid or payable under the insurance policies required to be maintained by Tenant pursuant to Section VIII or any other insurance maintained by Tenant. Under no circumstance shall Landlord be liable to any third party, and Tenant shall indemnify, hold harmless and defend Landlord from any such claim, damages or liability. Landlord and Landlord Representatives shall not be personally liable, in any manner whatsoever, for any judgment or deficiency with respect to this Lease. Landlord and Landlord Representatives shall not be liable for any damage to property or person, except for gross negligence or intentional misconduct by Landlord or Landlord Representatives. Tenant hereby waives all claims against Landlord and any Landlord Representative for consequential, special or punitive damages allegedly suffered by any Tenant Parties, including lost profits and business interruption. The liability of Landlord under this Lease is limited to its actual period of ownership of title to the Leased Premises.

XVII. **MECHANICS' LIENS.** Nothing contained in this Lease shall authorize Tenant to do any act which shall in any way encumber the title of Landlord in and to the Leased Premises or the Building or any part thereof; and if any mechanic's or materialman's lien is filed or claimed against the Leased Premises or Building or any part thereof in connection with any work performed, materials furnished or obligation incurred by or at the request of Tenant, Tenant will promptly either (i) pay same and cause it to be released of record or (ii) contest same in good faith and, if it has not been removed within thirty days, bond around it. If the lien is not released of record (or bonded around) and default in payment thereof shall continue for thirty days after written notice thereof from Landlord to Tenant, Landlord shall have the right and privilege at Landlord's option of paying the same or any portion thereof without inquiry as the validity thereof, and any amounts so paid, including expenses and interest, shall be repaid to Landlord immediately by Tenant on demand therefor.

XVIII. **ABANDONED PROPERTY.** All Personal Property of Tenant remaining in the Leased Premises after the expiration or earlier termination of the Term may be treated by Landlord as having been abandoned by Tenant, and Landlord shall have the right to remove such personal property from the Leased Premises without any obligation to deliver such personal property to Tenant and without any liability to Tenant whatsoever, it being agreed that Tenant shall have no right to reclaim such property. Provided, however, that in no event whatsoever shall Landlord have any access or rights to the confidential and proprietary information of Tenant, including without limitation, protected health information (as defined in Section XXI(E) herein), or other property that Landlord is precluded by applicable law from accessing and/or taking possession. Landlord shall have no duty to notify Tenant that Landlord may dispose of Tenant's property, except as may be required by applicable law governing items that Landlord is legally precluded from accessing and/or taking possession.

XIX. **TRANSFER OF LANDLORD'S RIGHTS.** In the event Landlord transfers its interest in the Building, Landlord shall thereby be released from any further obligations hereunder, and Tenant agrees to look solely to the successor in interest of the Landlord for the performance of such obligations, provided however, that any assignee or transferee of Landlord shall assume by written agreement all of Landlord's obligation under this Lease.

XX. **REMEASUREMENT.** The Leased Premises shall be subject to remeasurement as set forth in sub-sections A and B below. Any such remeasurement shall be substantially in accordance with the BOMA Standard, as defined in sub-section D below.

A. Landlord shall, at Landlord's cost and expense, remeasure the Leased Premises prior to Tenant taking occupancy thereof, but after the construction of the Building is complete.

B. Tenant or Landlord, at such party's own cost and expense, shall have the right to remeasure the Leased Premises and the Building from time to time (but not more than once per year) to reflect actual physical increases or decreases due to physical expansions or contractions in the rentable area of the Building.

C. In the event such remeasurement reveals a different square footage for the Leased Premises or the Building than as set forth in this Lease, the parties shall execute an amendment which revises the rentable square footage of the Leased Premises and the Tenant's Pro Rate Share of Rentable Building Square Footage shall be adjusted accordingly. In the event that the Tenant refuses to execute such amendment, then Landlord shall have the right to terminate this Lease upon thirty days prior written notice to Tenant.

D. "BOMA Standard" shall mean the Building Owners and Managers Association International Standard Method for Measuring Floor Area in Office Building, ANSI Z65, 1-1996; provided, however, that notwithstanding the foregoing to the contrary, the BOMA Standard shall not include any area below the ground floor of the Building in which the Leased Premises is located, any areas outside the perimeter walls of such Building, any elevator shafts, or any stairwells.

#### XXI. LEGAL COMPLIANCE.

A. Landlord and Tenant enter into this Lease with the intent of conducting their relationship and implementing the agreements contained herein in full compliance with applicable federal, state and local law, including without limitation, the Anti-Kickback statute and the Stark Physician Anti-Referral statute (collectively, the "Fraud and Abuse Laws"), as amended. Notwithstanding any unanticipated effect of any of the provisions of this Lease, neither party will intentionally conduct itself under the terms of this Lease in a manner that would constitute a violation of the Fraud and Abuse Laws. Without limiting the generality of the foregoing, Landlord and Tenant agree that nothing contained in this Lease shall require either party to refer any patients or goods and services to the other, or to any affiliate or subsidiary of the other.

B. If any legislation, regulation or government policy is passed or adopted, the effect of which would cause either party to be in material violation of such laws due to the existence of any provision of this Lease, then Landlord and Tenant agree to negotiate in good faith for a period of up to ninety days to modify the terms of this Lease to comply with applicable law. Should the parties hereto fail to agree upon modified terms to this Lease within this time, either Landlord or Tenant may immediately terminate this Lease by giving written notice to the other party.

C. The parties represent to the other that any amounts due to Landlord from Tenant pursuant this Lease are (i) consistent with fair market value in arms-length transactions, (ii) set in advance, and (iii) not determined in a manner that takes into account the volume or value of any referrals or other business between the parties for which payment may be made in whole or in part by a federal health care program. The parties further represent that this Lease covers all of the Leased Premises rented by the parties for the Lease Term, and that the aggregate space leased hereunder does not exceed that which is reasonably necessary to accomplish the commercially reasonable business purpose of the rental.

D. Should Tenant be in a position to refer or to potentially refer business that is reimbursable by a Federal health care program to Landlord, then Landlord and Tenant agree to submit the remuneration paid under this Agreement to a medical office building valuation consultant designated and engaged by Landlord to offer an opinion as to whether the Rent and any other remuneration that may be paid hereunder is consistent with fair market value in an arms-length transaction. Landlord and Tenant agree to amend this Agreement as necessary for the Rent paid hereunder to represent such fair market value.

E. For purposes of this Section, "protected health information" or "PHI" shall have the meaning defined by the Standards for Privacy of Individually Identifiable Health Information, 45 C.F.R. Part 160 and Subparts A and E of Part 164 ("Privacy Standards"), as promulgated by the Department of Health and Human Services ("DHHS") pursuant to the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Tenant agrees to reasonably safeguard PHI from any intentional or unintentional disclosure in violation of the Privacy Standards by implementing appropriate administrative, technical and physical safeguards to protect the privacy of PHI. Tenant further agrees to implement appropriate administrative, technical and physical safeguards to limit incidental disclosures of PHI, including disclosures to Landlord, its subcontractors and agents. The parties agree that neither Landlord nor its contractors, subcontractors or agents shall need access to, nor shall they use or disclose, any PHI of Tenant. However, in the event PHI is disclosed by Tenant or its agents to Landlord, its contractors, subcontractors or agents, regardless as to whether the disclosure is inadvertent or otherwise, Landlord agrees to take reasonable steps to maintain, and to require its contractors, subcontractors and agents to maintain, the privacy and confidentiality of such PHI. The parties agree that the foregoing does not create, and is not intended to create, a "business associate" relationship between the parties as that term is defined in the Privacy Standards.

F. Both as a material condition to this Lease and as a continuing representation and warranty for the duration of this Lease, each party represents that neither it nor any of its owners, officers, directors, employees, agents, or subcontractors have been suspended, excluded, or debarred from any federal health care program, as defined under 42 U.S.C. § 1320a-7b(f), for the provision of items or services for which payment may be made under such federal health care programs ("Exclusion"). Each party further represents that it shall notify the other party of any change in the foregoing representation promptly upon acquiring knowledge of any such change, and in no event more than five days after acquiring such knowledge. Either party shall have the right to immediately terminate this Lease upon learning of any Exclusion.

XXII. BROKERAGE. Tenant represents to Landlord that it has not had any dealings with any broker or agent in connection with the negotiation or execution of this Lease; and Tenant agrees to indemnify Landlord and hold Landlord harmless from and against any and all costs, expenses or liability for commissions or other compensation or charges claimed by any other broker or agent, through commitments of Tenant with respect to this Lease. In the event Landlord elects to engage a broker or agent in connection with the negotiation or execution of this Lease, Landlord shall be solely responsible to pay any commissions or fees due and payable to such broker or agent.

XXIII. NO PARTNERSHIP RELATIONSHIP. Notwithstanding anything to the contrary herein, neither Landlord nor Tenant shall be construed or held to be a partner or associate of the other in the conduct of their respective businesses, it being expressly understood and agreed that the relationship between the parties is and at all times shall remain that of Landlord and Tenant.

XXIV. GUARANTY. Provided that this Lease is subject to a guarantee by a guarantor, the Guarantor(s) identified in the Lease

Agreement Summary Page hereby jointly and severally covenant and agree to and with Landlord that if default shall at any time be made by Tenant in the payment or performance of any obligations set forth herein, when due, Guarantor(s) will forthwith pay or perform such obligation on behalf of Tenant to or for the benefit of Landlord. The guaranty provisions of this Section constitute an absolute, unconditional and irrevocable guaranty of payment (and not of collection) and performance and are a surety agreement. Guarantor(s)' liability hereunder is primary and direct and may be enforced without Landlord being required to resort to any other right, remedy or security and the terms of this Section shall be enforceable against Guarantor(s) jointly and severally, without the necessity for any suit or proceedings on Landlord's part of any kind or nature whatsoever against Tenant or any other guarantor; and without the necessity of any notice of non-payment, non-performance or non-observance or the continuance of any such default or of any notice of acceptance, protest, dishonor or presentment of the terms hereof or of Landlord's intention to act in reliance hereon or of any other notice or demand to which Guarantor(s) might otherwise be entitled, all of which Guarantor(s) hereby expressly waive. The terms of this Section shall be a continuing guaranty, and (whether or not Guarantor(s) shall have notice or knowledge of any of the following) the liability and obligation of Guarantor(s) hereunder shall not be released, discharged or in any way impaired by (i) any amendment or modification of, or supplement to, or extension or renewal of, this Lease; (ii) any exercise or non-exercise of any right or remedy under this Lease; (iii) any bankruptcy, insolvency, reorganization, liquidation or similar proceeding relating to Tenant (including without limitation any rejection or disaffirmance of this Lease in any such proceedings); (iv) any limitation on the liability or obligation of Tenant under this Lease or its estate in bankruptcy or of any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the federal bankruptcy law or any other statute or from the decision of any court; (v) any transfer by Tenant or any assignment, mortgage or pledge of its interest under this Lease; (vi) any agreement entered into between Landlord and an assignee of Tenant or any agreement entered into between Landlord and the holder of any leasehold mortgage (or between Landlord and the nominee of any such holder of a leasehold mortgage); or (vii) any other thing which might otherwise operate to exonerate, discharge, or reduce the liability of Guarantor(s) for the payment of any sums or the performance of any other obligations becoming due from the Tenant under this Lease.

#### XXV. MISCELLANEOUS.

- A. Amendment. This Lease may only be amended in a writing duly executed by both parties.
- B. Notices. Any notice required or permitted to be given hereunder may be given by mail and shall be sufficiently given if personally served or sent by certified mail or by special or overnight courier, addressed to the Landlord or Tenant, as applicable, at the addresses specified on the Lease Agreement Summary Page.
- C. Severability. If any term, covenant, condition, or provision of this Lease is held by a court of competent jurisdiction or other governmental body to be invalid, void, or unenforceable, the remainder of the provisions of such agreement or agreements shall remain in full force and effect.
- D. Waiver. Any act by either party that may amount to a waiver of the conditions of this Lease shall in no way constitute a future-continuing waiver of such conduct.
- E. Counterparts. This Lease may be executed in more than one counterpart.
- F. Successors. This Lease shall inure to the benefit of, and be binding upon the parties and their respective successors and assigns.
- G. Third Party Beneficiaries. This Lease is entered into for the sole benefit of the parties hereto. Nothing contained herein or in the parties' course of dealings shall be construed as conferring any third party beneficiary status on any person or entity not a party to this Lease, including, without limitation, any representative of a party.
- H. Assignment. This Lease may not be assigned by either party without the written consent of the other party, except that this Lease may be assigned to any parent, affiliate or subsidiary company of Landlord without the approval of Tenant.
- I. Force Majeure. Neither party shall incur any liability hereunder if the performance of its obligations is prevented by acts of God, a public enemy, earthquakes, hurricanes, fires, floods, epidemics, civil insurrections, curtailment of, or failure to obtain, sufficient electrical power, strikes, or lockouts.
- J. Entire Agreement; Binding Effect. This Lease constitutes the entire Agreement between the parties with respect to the subject matter hereof, supersede all prior representations, agreements, negotiations and understandings, and may not be amended, or any provision waived, except in writing signed by both parties. This Lease shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors, assigns, executors and administrators.
- K. Governing Law; Venue. This Lease is subject to, and shall be interpreted in accordance with, the laws of the State of Tennessee. Venue for any disputes arising under this Lease shall be in the state court of Wilson County, Tennessee. In the event that a lawsuit is filed by either party against the other for breach or default under the terms of this Lease, the prevailing party shall be entitled to reasonable attorneys' fees, expenses, and court costs as approved by the court.
- L. **WAIVER OF JURY TRIAL. LANDLORD AND TENANT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION, ACTION, PROCEEDING OR COUNTERCLAIM BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LEASE OR THE OBLIGATIONS EVIDENCED HEREBY, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S**

**USE OF OR OCCUPANCY OF THE LEASED PREMISES, ANY CLAIM OF INJURY OR DAMAGE, OR ANY EMERGENCY OR OTHER STATUTORY REMEDY OR ANY OTHER DOCUMENT OR INSTRUMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREW ITH, OR ANY COURSE OF CONDUCT,COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITEN) OR ACTIONS OF ANY PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT TO EACH OF LANDLORD AND TENANT IN ENTERING INTO THIS LEASE.**

M. Legal Fees. In the event a lawsuit is filed by either party against the other for breach or default under the terms of this Lease, the prevailing party shall be entitled to reasonable attorneys' fees, expenses, and court costs as approved by the court.

N. Captions and Headings. All captions and headings are solely for convenience of reference and are not intended to define or limit the scope of any provisions of this Lease.

O. Construction. This Lease shall be interpreted and construed according to its fair meaning, without consideration as to which party drafted it.

P. Incorporation of Recitals. The Recitals set forth in the foregoing Preamble to this Lease are contractual and binding, and are incorporated herein as enforceable provisions of this Lease.

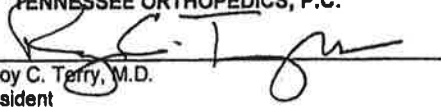
Q. Authorization to Execute Agreement. The individuals executing this Lease represent and warrant that they are competent and capable of entering into a binding contract, and that they are authorized to execute this Lease on behalf of the parties hereto. Signatures transmitted by facsimile transmission, by electronic mail in portable document format (\*.pdf) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same force and effect as physical execution and delivery of the paper document bearing the original signature.

- SIGNATURES NEXT PAGE -

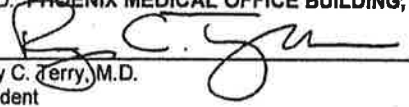
Attachment A, Applicant Profile-6

IN WITNESS WHEREOF, the authorized representatives of the parties hereto have duly executed this Agreement.

TENANT: TENNESSEE ORTHOPEDICS, P.C.

By:   
Name: Roy C. Terry, M.D.  
Title: President

LANDLORD: PHOENIX MEDICAL OFFICE BUILDING, LLC

By:   
Name: Roy C. Terry, M.D.  
Title: President

## EXHIBIT A – ESTIMATED MONTHLY RENT AMORTIZATION SCHEDULE

| <u>Lease Year</u> | <u>Price per Square Foot</u> | <u>Base Rent (Payable Monthly)</u> | <u>Additional Rent – CAM Price Per Square Foot (Payable Monthly)</u> | <u>ASTC Build-Out (Payable Monthly) **</u> |
|-------------------|------------------------------|------------------------------------|--|--|
| Year 1            | \$20.00                      | \$ 9,473.33                        | \$5.00   | \$9,682.00                                 |
| Year 2            | \$20.60                      | \$ 9,757.53                        | *  | \$9,682.00                                 |
| Year 3            | \$21.22                      | \$10,051.21                        | *  | \$9,682.00                                 |
| Year 4            | \$21.85                      | \$10,350.00                        | *  | \$9,682.00                                 |
| Year 5            | \$22.51                      | \$10,662.24                        | *  | \$9,682.00                                 |
| Year 6            | \$23.18                      | \$10,979.59                        | *  | \$9,682.00                                 |
| Year 7            | \$23.89                      | \$11,315.90                        | *  | \$9,682.00                                 |

\* Following the first year of occupancy, the CAM Additional Rent will be the "actual" CAM expenses based on the prior 12 months. The Tenant will be notified by the Landlord of the Rent and the CAM increase at least two (2) months prior to the beginning of the end of the lease year.

\*\* The estimated ASTC build-out costs of \$685,000 is payable as Additional Rent, in monthly installments over 7 years at an annual interest rate of 5% simple interest. When the final build-out cost is determined, the actual monthly ASTC Build-out cost will be calculated.



## EXHIBIT B – BUILDING RULES AND REGULATIONS

Tenant agrees to comply at all times during the Lease with the following Building Rules and Regulations, as same may be amended from time to time in Landlord's sole discretion:

1. Access to Building. Any person entering or leaving the Building may be questioned by Building security regarding his/her business in the Building and may be required to sign in and out. Anyone who fails to provide a satisfactory reason for being in the Building may be excluded.
2. Accidents. Tenant shall give Landlord prompt notice of any accidents occurring in the Building or Leased Premises.
3. Cleanliness; Trash and Refuse. Tenant shall at all times maintain the Leased Premises in a clean and healthful condition, as determined by applicable law and/or rules established in Landlord's sole determination. Tenant shall be responsible for maintaining suitable receptacles for trash and refuse, and removing all trash and refuse accumulated in the Leased Premises on no less than a weekly basis.
4. Conduct. Tenant shall not conduct its practice or business, or advertise such business, profession or activities of Tenant conducted in the Leased Premises in any manner that violates local, state or federal laws or regulation.
5. Contractors. Tenant shall not employ any service or contractor for service or work to be performed in the Building or Leased Premises, except as approved by Landlord.
6. Defects; Breakage. Tenant shall give Landlord prompt notice of any breakage or defects in the water pipes, gas pipes, electric lights and fixtures, heating apparatus, or any other service equipment.
7. Equipment; Moving; Furniture, Etc. Landlord shall approve the weight, size and position of all fixtures, equipment and other Personal Property of Tenant that is brought into the Building, and the times of moving which must be done under the supervision of Landlord. Landlord will not be responsible for any loss of or damage to any such equipment or property from any cause, and all damage done in the Building by moving or maintaining any such property shall be repaired at the expense of Tenant. All equipment shall be installed as required by law. Any hand carts, carryalls or similar appliances used to move merchandise or equipment into or out of the Building shall be equipped with rubber tires, side guards and such other safeguards as required by Landlord.
8. Firearms. Tenant shall not allow any firearms in the Building or the Leased Premises except as approved by Landlord in writing.
9. Keys. Tenant shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
10. Locks. No additional locks or bolts of any kind shall be placed upon any of the doors or windows by Tenant, nor shall any changes be made in existing locks or the mechanism thereof. Tenant must upon the termination of its tenancy restore to Landlord all keys to the Leased Premises and toilet rooms either furnished to or otherwise produced by Tenant, and in the event of loss of any keys so furnished, Tenant shall pay to Lessor the cost thereof.
11. Medical and Hazardous Waste. Tenant shall comply with all laws applicable to medical and hazardous waste, and with all policies established from time to time by Landlord, regarding the storage and disposal of hazardous substances, wastes and materials, and medical, special or infectious wastes.
12. Musical Instruments. Tenant shall not install or operate any phonograph, musical instrument, radio receiver or similar device in the Building in such manner as to disturb or annoy other tenants inside or outside of the Building. Tenant shall not install any antennae, aerial wires or other equipment outside the Building without the prior written approval of Landlord.
13. Non-Disturbance; Loitering. Tenant shall not disturb, harass, solicit or canvass any occupant or invitee of the Building; nor shall Tenant allow any of its invitees to engage in such conduct. Neither Tenant nor any of Tenant's invitees shall loiter in common areas or in the parking lot.
14. Nuisances. Tenant shall not make or permit any noise, odor or act that is objectionable to other occupants of the Building to emanate from the Leased Premises, and shall not create or maintain a nuisance thereon.
15. Obstructions. The doors, window glass, lights and skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. Tenant shall not obstruct or use for storage, or for any purpose other than ingress and egress, the sidewalks, entrance, passages, courts, corridors, vestibules, halls, elevators and stairways of the Building. Tenant shall not allow anything to be placed on the outside window ledges of the Leased Premises or to be thrown out of the windows of the Building, and Tenant shall not place or permit to be placed any obstruction or refuse in any public part of the Building or the land upon which the Building is sited.
16. Parking. Unless otherwise specified by Landlord, Tenant and its employees may park automobiles only in spaces designated by Landlord for such purpose and shall in no event park in spaces reserved for public parking or in No Parking zones.



Attachment A, Applicant Profile-6

Tenant agrees that Landlord assumes no responsibility of any kind whatsoever in reference to such automobile parking area or the use thereof by Tenant or its agents or employees. Landlord reserves the right to remove any vehicles that do not comply with these rules on parking, and shall indemnify and hold harmless Landlord from its reasonable exercise of these rights with respect to vehicles of Tenant and its employees, agents and invitees.

17. Requirements of Tenant. The requirements of Tenant will be attended to only upon application at the office of Landlord. No employee, agent or invitee of Tenant shall perform any work nor do anything outside their regular duties unless under special instructions from Landlord. No employee, agent or invitee shall admit any person, Tenant or otherwise, to any office other than the Leased Premises without instruction from the office of Landlord. All janitorial services personnel, guards or any outside contractors employed by Tenant shall be subject to the regulations and control of Landlord, but shall not act as an agent or servant of Landlord.

18. Signage. Tenant shall not place any sign upon the Leased Premises or the Building without Landlord's prior written consent.

19. Security; Conservation of Resources. Tenant will see that all windows and doors are securely locked, and that all faucets and electric light switches are turned off before leaving the Building.

20. Smoking. The use of all tobacco products, including without limitation, cigarettes, cigars, pipe tobacco, and smokeless tobacco of any kind, is prohibited in all portions of the Building.

21. Toilets and Urinals. Tenant shall permit its employees, agents, contractors and invitees to use toilets and urinals only for the purpose for which they were intended and constructed, and no rubbish, newspapers or other substance of any kind shall be thrown into them. Waste and excessive or unusual use of water shall not be allowed.

22. Vehicles; Animals. No bicycle, roller skates, skateboards, hover boards, inline skates, etc. or any other type of vehicle, and no animal, except for a service animal, shall be brought into the offices, halls, corridors, or any other parts of the Building or Parking Lot by Tenant or the agents, employees or invitees of Tenant.

23. Walls. Tenant shall not mark, drive nails, screw or drill into, paint, nor in any way deface the walls, ceilings, partitions, floors, wood, stone or ironwork. Tenant shall be permitted to hang pictures on office walls, but it must be done in a workmanlike manner and in such a way as not to damage or deface such walls.

24. Wiring. Electrical wiring of every kind shall be introduced, connected, cut, and any boring shall be performed, only by contractors approved in writing by Landlord and working under the direct supervision of Landlord. The location of the telephone, call boxes, cable connections, etc., shall be subject to the prior written approval of Landlord.

EXHIBIT C – LANDLORD BUILD-OUT SPECIFICATIONS

Attachment A, Applicant Profile-6  
EXHIBIT D  
DESCRIPTION OF LEASED PREMESIS (FLOOR PLAN)

[ATTACH ON THIS PAGE]

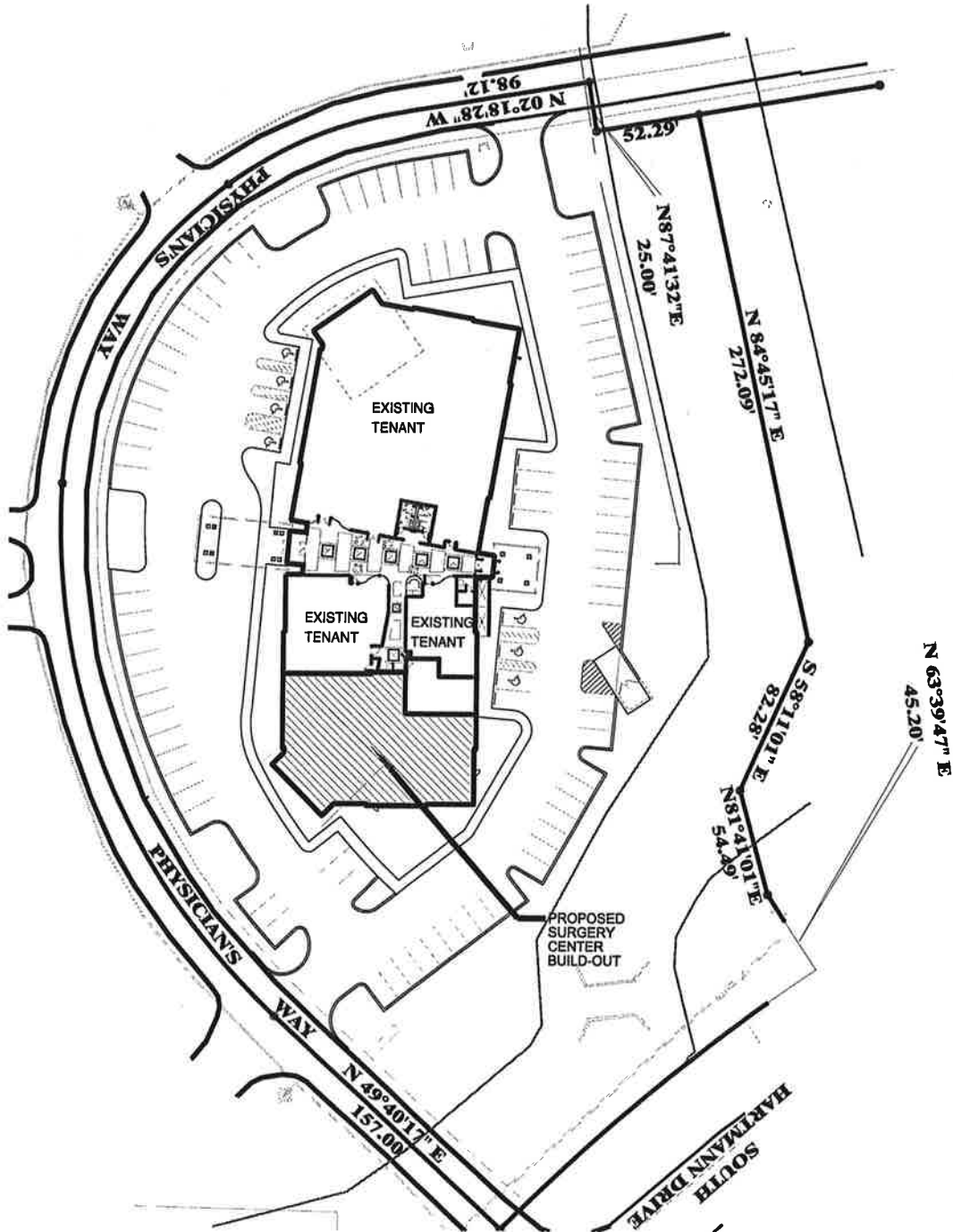
**TennCare Managed Care Organizations Currently Operating  
in Applicant's Geographic Service Area**

AMERIGROUP  
BlueCare  
United Healthcare Community Plan  
TennCare Select

**Applicant participates with each of the above-listed TennCare Managed Care Organizations.**

**Applicant does not have any out-of-network relationships with TennCare Managed Care Organizations.**

Attachment B, Project Description-III(A)  
(Site Plot Plan)



**PROJECT DATA**

SITE ACREAGE: 3.63 ACRES  
ADDRESS: 101 PHYSICIAN'S WAY  
LEBANON, TENNESSEE 37087



Site Plot Plan

40 20 0 40 80  
scale: 1"=80'-0"

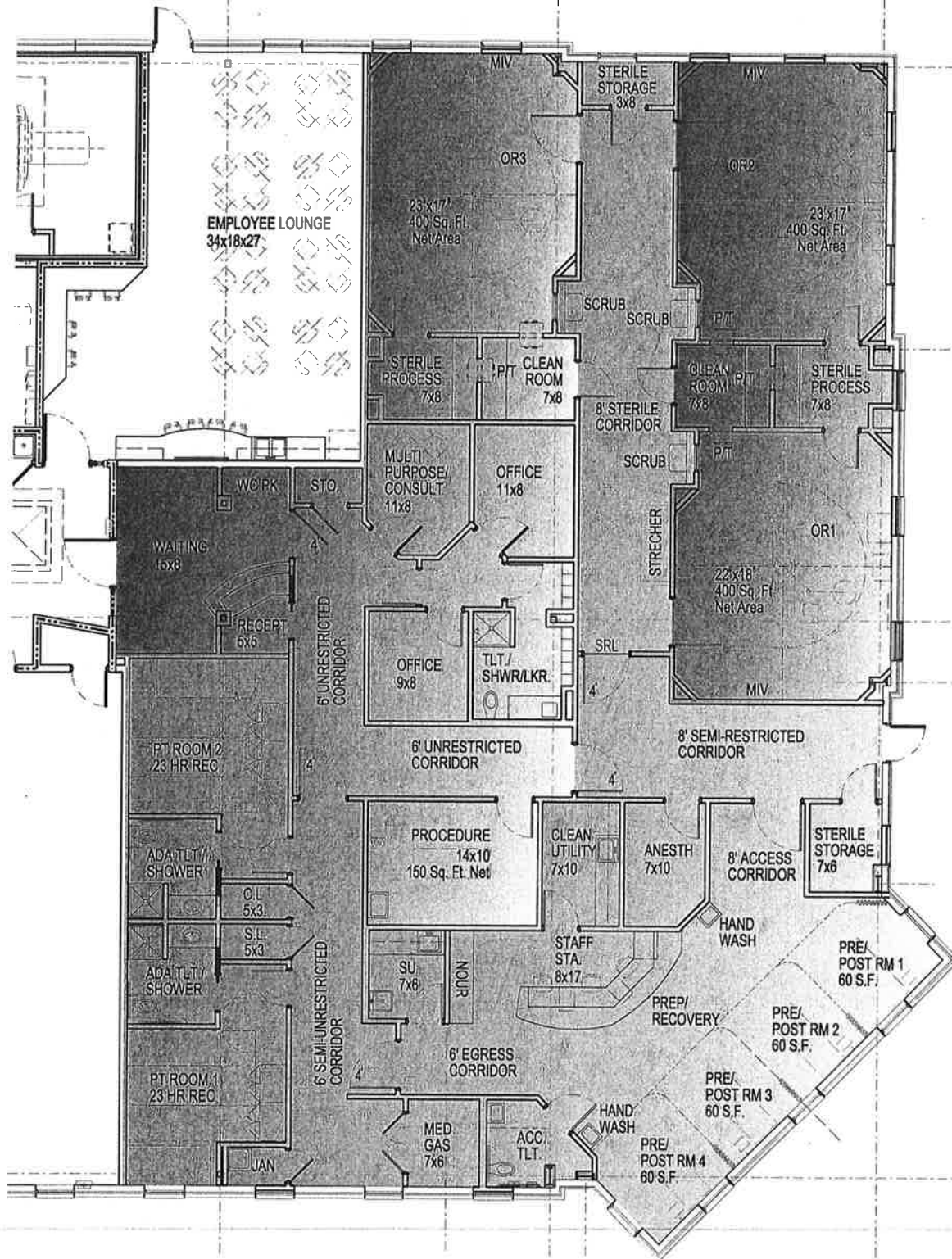
**MANOUS DESIGN**  
142 Public Square Lebanon, Tn. 37087  
v:615.444.6207 f:615.444.0853  
Michael L Manous, R.A. Mike@ManousDesign.com

THE HARTMANN MEDICAL OFFICE BUILDING  
SURGERY CENTER SUITE 113 BUILD OUT  
**DR. ROY C. TERRY**  
South Hartmann Drive & Physician's Way  
Lebanon, Tennessee



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**0072**



# REVISED FLOOR PLAN SURGERY CENTER & EMPLOYEE LOUNGE

SCALE: 1/8" = 1'-0"

5,684 SQ. FT. - SURGERY CENTER  
827 SQ. FT. - EMPLOYEE LOUNGE

05.04.16 0 4' 8' 16' 24'

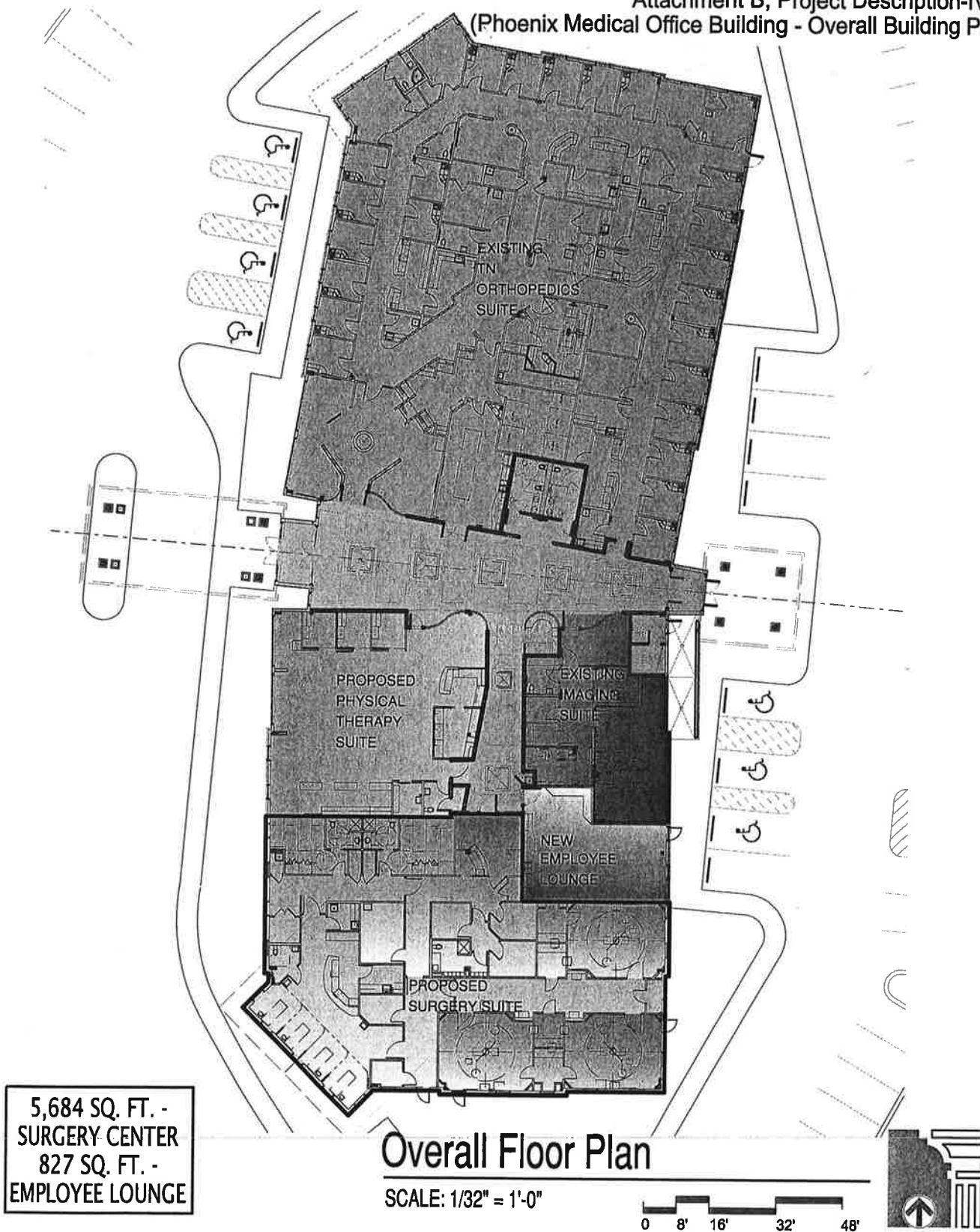
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v:615.444.6207 f:615.444.0853  
Michael L. Manous, R.A. Mike@ManousDesign.com

THE HARTMANN MEDICAL OFFICE BUILDING  
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0073



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**0074**

**I. Determination of Need**

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

**RESPONSE:** This standard is met, as evidenced in the projections and supporting methodology set forth in the Question 6 in Section C, General Criteria-Need of the Application. Applicant projects the following operating room and procedure room utilization in the first two years of operations. The projection is premised upon historical and projected ambulatory surgery utilization by Applicant's three employed orthopedic surgeons, and a conservative estimate of at least thirteen community surgeons supporting Applicant's CON application performing at least two surgical procedures weekly at the ASTC. (See also Applicant's response to Question 6 in Section C, Need of the Application.)

|                                 | <u>Year 1</u> | <u>% Full<br/>Capacity</u> | <u>Year 2</u> | <u>% Full<br/>Capacity</u> |
|---------------------------------|---------------|----------------------------|---------------|----------------------------|
| Surgical Utilization Per OR     | 962           | 76%                        | 1,059         | 119%                       |
| Non-Surgical Utilization Per PR | 3,649         | 137%                       | 4,014         | 151%                       |

---

<sup>1</sup> State of Tennessee, State Health Plan, Certificate of Need Standards and Criteria for Ambulatory Surgical Treatment Centers, Eff. 5/23/13.



2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

**RESPONSE:**

| Year 1 (2018) |                           |                            |                               |                             |                                     |                                   |   |
|---------------|---------------------------|----------------------------|-------------------------------|-----------------------------|-------------------------------------|-----------------------------------|---|
| Speciality    | Case Volume by Speciality | Minutes Projected per Case | Total Surgeon Time in Minutes | Total Surgeon Time in Hours | Total Turnover/Prep Time in Minutes | Total Turnover/Prep Time in Hours | Total Surgeon and Turnover/Prep Time in Hours |
| Procedure Rm  | 1,824                     | 45                         | 82,080                        | 1,368                       | 18,240                              | 304                               | 1,672   |
| Podiatry      | 100                       | 60                         | 6,000                         | 100                         | 1,000                               | 17                                | 117   |
| GYN           | 100                       | 60                         | 6,000                         | 100                         | 1,000                               | 17                                | 117   |
| ENT           | 100                       | 60                         | 6,000                         | 100                         | 1,000                               | 17                                | 117   |
| Plastic       | 200                       | 60                         | 12,000                        | 200                         | 2,000                               | 33                                | 233   |
| General Surg  | 300                       | 60                         | 18,000                        | 300                         | 3,000                               | 50                                | 350   |
| Dental        | 500                       | 60                         | 30,000                        | 500                         | 5,000                               | 83                                | 583   |
| Ortho         | 1,587                     | 75                         | 119,025                       | 1,984                       | 15,587                              | 260                               | 2,244   |
|               |                           |                            |                               |                             |                                     |                                   |   |
| <b>Total</b>  | <b>4,711</b>              | <b>480</b>                 | <b>279,105</b>                | <b>4,652</b>                | <b>46,827</b>                       | <b>780</b>                        | <b>5,433</b>                                  |

| Year 2 (2019) |                           |                            |                               |                             |                                     |                                   |   |
|---------------|---------------------------|----------------------------|-------------------------------|-----------------------------|-------------------------------------|-----------------------------------|---|
| Speciality    | Case Volume by Speciality | Minutes Projected per Case | Total Surgeon Time in Minutes | Total Surgeon Time in Hours | Total Turnover/Prep Time in Minutes | Total Turnover/Prep Time in Hours | Total Surgeon and Turnover/Prep Time in Hours |
| Procedure Rm  | 2,006                     | 45                         | 90,288                        | 1,505                       | 20,064                              | 334                               | 1,839   |
| Podiatry      | 110                       | 60                         | 6,600                         | 110                         | 1,100                               | 18                                | 128   |
| GYN           | 110                       | 60                         | 6,600                         | 110                         | 1,100                               | 18                                | 128   |
| ENT           | 110                       | 60                         | 6,600                         | 110                         | 1,100                               | 18                                | 128   |
| Plastic       | 220                       | 60                         | 13,200                        | 220                         | 2,200                               | 37                                | 257   |
| General Surg  | 330                       | 60                         | 19,800                        | 330                         | 3,300                               | 55                                | 385   |
| Dental        | 550                       | 60                         | 33,000                        | 550                         | 5,500                               | 92                                | 642   |
| Ortho         | 1,746                     | 75                         | 130,928                       | 2,182                       | 17,457                              | 291                               | 2,473   |
|               |                           |                            |                               |                             |                                     |                                   |   |
| <b>Total</b>  | <b>5,182</b>              | <b>480</b>                 | <b>307,016</b>                | <b>5,117</b>                | <b>51,821</b>                       | <b>864</b>                        | <b>5,981</b>                                  |

Source: Becker's ASC Review, "100 Surgery Center Benchmarks and Statistics to Know," 10/27/13, <http://www.beckersasc.com/lists/100-surgery-center-benchmarks-statistics-to-know.html>, accessed May 8, 2016.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

**RESPONSE:** There is no multi-specialty ASTC in Applicant's four-county Service Area. Similarly, there is no out-of-state ASTC facility within 60 miles of the location of Applicant's ASTC. Please see Attachment C, Need-5 for a summary of the ambulatory surgery resources currently available and utilization in the service area, including hospital-based ambulatory surgery resources.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

**RESPONSE:** There are no multi-specialty ASTC resources in Applicant's four-county Service Area. Multi-specialty ASTC outmigration in Applicant's four-county Service Area is 100%.<sup>2</sup> Hospital-based ambulatory surgery outmigration from the Service Area in 2014 was 52%. The hospital-based data for 2015 is not yet available. The Service Area outmigration reveals that residents are leaving the Service Area to receive ambulatory surgery, whether it be to receive ambulatory surgery in an ASTC or a hospital.

The CON Board has previously approved two CON's adding ASTC services to the Service Area, but those CON's were never implemented. The only ASTC resources in the Service Area are two single specialty centers and one dual specialty center. Applicant's ASTC will not compete with these small-scale specialty centers. The only hospital-based ambulatory surgery program providing comparable multi-specialty services is Tennova Healthcare-Lebanon (formerly University Medical Center). Applying the utilization criteria applicable to ASTC's, Tennova's 2014 ambulatory surgery utilization of 88% of Full Capacity was well above the 70% optimum utilization threshold required to establish new ASTC services. (See also Applicant's response to Question 5 in Section C, Need.)

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<sup>2</sup> Outmigration for the single- and dual-specialty ASTC's in the Service Area is very high. When you factor in the Service Area residents leaving the Service Area for all ASTC services (e.g., multi-specialty, single-specialty and dual-specialty), the 2013-2014 Service Area outmigration ranged from 63% to 78%. The 2014-15 Service Area outmigration ranged from 63%- 79%. Wilson County outmigration in 2013-14 and 2014-15 was 78%. Source: 2013-2014 and 2014-2015 ASTC JAR, Patient Origin Data.

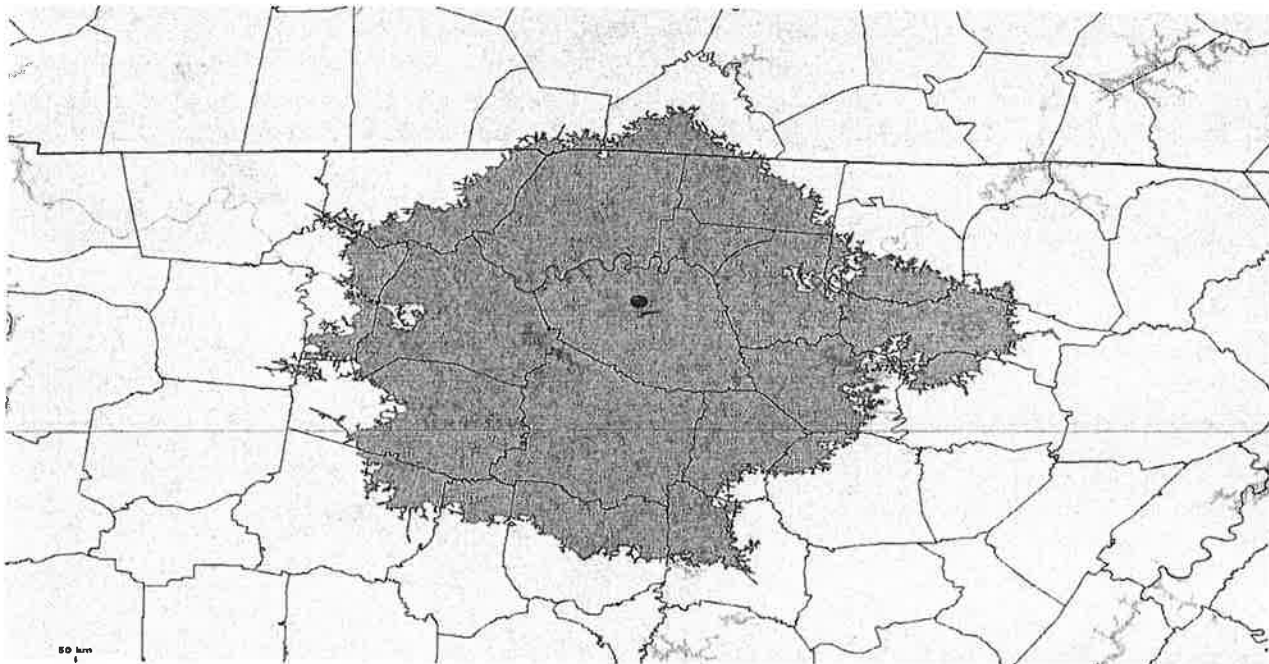
5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

**RESPONSE:** "N/A." Applicant seeks to establish a multi-specialty ASTC and this criteria is therefore not applicable.

#### **Other Standards and Criteria**

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

**RESPONSE:** Applicant's ASTC will be centrally located in Wilson County, which is less than a 60 minute drive from most locations in Wilson, Smith, Macon and Trousdale counties. Below is a county-level map illustrating the locations from which the drive time to Applicant's ASTC is 60 minutes or less. Applicant's location on the illustration below is demarcated by the pin, which is in Central Wilson County. Smith, Macon and Trousdale counties are located to the northeast.



7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

**RESPONSE:** Applicant's ASTC is located near the intersection of two major traffic arteries in Lebanon, Tennessee; Franklin Road and South Hartmann Drive. The location is immediately off of Exit 236 on Interstate I-40, the primary east-west corridor in Tennessee. This will allow ease of access for patients who reside in Wilson County as well as neighboring counties.

The location is accessible by wheel chair van, ambulance and private vehicle. The location is also accessible by public door-to-door transportation through the Mid-Cumberland Human Resource Agency serving Wilson and Trousdale counties and the Upper Cumberland Human Resource Agency serving Macon and Smith counties. The Mid-Cumberland and Upper Cumberland Human Resource Agencies each provide assistance to individuals with mobility limitations, to include wheel chair lifts and assistance ambulating.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**RESPONSE:** Applicant anticipates that the patient origin for the ASTC will be substantially similar to the patient origin of Applicant's professional medical office. Below please see the table of Applicant's patient origin by county (as determined by zip code). Applicant estimates that out-of-state patient origin will comprise approximately 1%, based in part on out-of-state students (including athletes) attending Cumberland University.

**Applicant's Patient Origin by County (Determined by Zip Code)**

| County     | %      | County     | %     | County       | %    |
|------------|--------|------------|-------|--------------|------|
| Wilson     | 35.40% | Davidson   | 1.21% | Hickman      | .15% |
| Smith      | 20.57% | Cumberland | .61%  | Madison      | .15% |
| Macon      | 15.28% | Jackson    | .45%  | Rhea         | .15% |
| Trousdale  | 5.30%  | Clay       | .30%  | Warren       | .15% |
| Sumner     | 12.86% | Fentress   | .30%  | White        | .15% |
| Putnam     | 1.97%  | Robertson  | .30%  | Out of State | .91% |
| DeKalb     | 1.51%  | Williamson | .30%  | Unknown      | .45% |
| Rutherford | 1.36%  | Cannon     | .15%  |              |      |
|            |        |            |       | TOTAL        | 100% |

Because there are no multi-specialty ASTC's in Applicant's Service Area, there is a 100% outmigration rate to other Tennessee counties for multi-specialty ASTC services. In 2015, 4,417 Service Area residents received ambulatory surgery outside of the Service Area as indicated below.

**2014-15 Service Area Outmigration by County (See also Exhibit 1-Access to ASTCs, attached hereto.)**

| County       | Outmigration Percent | No. Patients Outmigrating |
|--------------|----------------------|---------------------------|
| Davidson     | 81.47%               | 3,517                     |
| Sumner       | 10.66%               | 460                       |
| Rutherford   | 3.82%                | 165                       |
| Putnam       | 2.69%                | 116                       |
| Williamson   | 1.16%                | 50                        |
| Coffee       | 0.05%                | 2                         |
| Knox         | 0.05%                | 2                         |
| Montgomery   | 0.05%                | 2                         |
| Shelby       | 0.05%                | 2                         |
| Washington   | 0.02%                | 1                         |
| <b>TOTAL</b> | <b>100%</b>          | <b>4,317</b>              |

Source: ASTC JAR, 2014-2015, Tabs D and E, Calculation of patient origin for Service Area residents receiving multispecialty ASTC services by county where services were received

There are three hospital-based outpatient surgery programs, the largest of which is Tennova Healthcare-Lebanon. In 2014, hospital-based ambulatory surgery outmigration was 52%.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**RESPONSE:** See utilization projections and supporting methodology set forth in Applicant's response to Question 6 in Section C, Need of the Application. See also the Projected Data Chart in Question 4 in Section C, Economic Feasibility of the Application.

10. Patient Safety and Quality of Care; Health Care Workforce.

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

**RESPONSE:** Applicant will seek accreditation from the Accreditation Association for Ambulatory Health Care.

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

**RESPONSE:** The following surgeons in the community are committed to Applicant's ASTC:

| Surgical Specialty | No. of Surgeons |
|--------------------|-----------------|
| Orthopedics        | 3               |
| General Surgery    | 3               |
| ENT/Cosmetic       | 1               |
| Plastic            | 2               |
| Gynecology         | 1               |
| Podiatry           | 1               |
| Dentistry          | 5               |

Applicant intends to contract with a third party anesthesia services provider. All medical staff (including anesthesiologists and CRNA's) will be credentialed in accordance with Medical Staff, Appointment and Reappointment Policy attached as Exhibit 2-Credentialing Policy attached hereto.

The following ancillary services will be utilized to staff the ASTC.

| Clinical Specialty         | No. of Clinicians | On-Site or Off-Site |
|----------------------------|-------------------|---------------------|
| Central Sterile Processing | 3                 | On-Site             |

Applicant intends to contract with a third party sterile processing provider.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

**RESPONSE:** Each county in Applicant's primary service area has been designated a Medically Underserved Area by the U.S. Health Resources and Services Administration. See Applicant's response to Question 4(B) in Section C, Need of the Application.

- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

**RESPONSE:** "N/A." Applicant is not a hospital.

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

**RESPONSE:** Applicant currently participates with all TennCare MCOs and all federally insured health care programs. Applicant's ASTC will similarly participate with all TennCare MCOs and federally insured health care programs. See Attachment A, Applicant Profile-13 for a listing of the TennCare MCOs. See also Applicant's response to Question 9 in Section C, Need of the Application.

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

**RESPONSE:** "N/A." Applicant does not anticipate that the ASTC multi-specialty patient population will require significantly longer preparation times. However, Applicant will not deny services to patients because of frailties or conditions that require longer utilization of the ASTC facility.

**Exhibit 1 - Access to ASTCs**  
**(Exhibit to Attachment C, Need-1(a))**

**SERVICE AREA OUTMIGRATION\_COUNTIES RECEIVING MIGRATION**

| Facility Name  | County     | Single<br>or<br>Multi-<br>specialty | Macon | Smith | Trousdale | Wilson |
|--|------------|-------------------------------------|-------|-------|-----------|--------|
| The Eye Surgery Center of Oak Ridge                    | Anderson   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Advanced Family Surgery Center                         | Anderson   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| The Center for ENT, Laser and Cosmetic Surgery         | Bedford    | Multi Specialty                     | 0     | 0     | 0         | 0      |
| The Surgery Center of Cleveland                        | Bradley    | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Center for Day Surgery                                 | Coffee     | Multi Specialty                     | 0     | 0     | 0         | 1      |
| Tulahoma Surgery Center                                | Coffee     | Multi Specialty                     | 0     | 0     | 0         | 1      |
| Centennial Surgery Center                              | Davidson   | Multi Specialty                     | 23    | 30    | 12        | 346    |
| Planned Parenthood of Middle and East Tennessee        | Davidson   | Multi Specialty                     | 5     | 4     | 0         | 50     |
| Northridge Surgery Center                              | Davidson   | Multi Specialty                     | 29    | 6     | 1         | 42     |
| Nashville Surgery Center                               | Davidson   | Multi Specialty                     | 3     | 3     | 0         | 9      |
| Oral Facial Surgery Center                             | Davidson   | Multi Specialty                     | 0     | 4     | 128       | 174    |
| Baptist Ambulatory Surgery Center                      | Davidson   | Multi Specialty                     | 17    | 14    | 11        | 236    |
| Saint Thomas Campus Surgicare                          | Davidson   | Multi Specialty                     | 8     | 11    | 4         | 200    |
| Baptist Plaza Surgicare                                | Davidson   | Multi Specialty                     | 23    | 29    | 14        | 338    |
| Premier Orthopaedic Surgery Center                     | Davidson   | Multi Specialty                     | 11    | 11    | 4         | 91     |
| Summit Surgery Center                                  | Davidson   | Multi Specialty                     | 20    | 63    | 0         | 1543   |
| Center for Sports Medicine and Orthopaedic Surgery     | Hamilton   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Physician's Surgery Center of Chattanooga              | Hamilton   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| ciates of Memorial/Mission Outpatient Surgery Ctr (Ina | Hamilton   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Renaissance Surgery Center of Chattanooga, LLC         | Hamilton   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Physicians Surgery Center of Knoxville                 | Knox       | Multi Specialty                     | 0     | 0     | 0         | 1      |
| Fort Sanders West Outpatient Surgery Center            | Knox       | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Children's West Surgery Center                         | Knox       | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Parkwest Surgery Center                                | Knox       | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Knoxville Orthopaedic Surgery Center                   | Knox       | Multi Specialty                     | 0     | 0     | 0         | 1      |
| The Surgery Center of Athens                           | McMinn     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Physicians Surgery Center                              | Madison    | Multi Specialty                     | 0     | 0     | 0         | 0      |
| The Surgery Center of Middle Tennessee                 | Maury      | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Maury Regional Ambulatory Surgery Center, LLC          | Maury      | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Surgical Services                                      | Monroe     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Surgery Center of Clarksville                          | Montgomery | Multi Specialty                     | 0     | 0     | 0         | 1      |
| Clarksville Surgery Center                             | Montgomery | Multi Specialty                     | 0     | 0     | 0         | 1      |
| Wartburg Surgery Center                                | Morgan     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Union City Surgery Center                              | Obion      | Multi Specialty                     | 0     | 0     | 0         | 0      |
| The Cookeville Surgery Center                          | Putnam     | Multi Specialty                     | 19    | 39    | 0         | 2      |
| Upper Cumberland Physician's Surgery Center            | Putnam     | Multi Specialty                     | 22    | 30    | 0         | 4      |
| Surgicenter of Murfreesboro Medical Clinic             | Rutherford | Multi Specialty                     | 2     | 5     | 0         | 57     |
| Physicians Pavilion Surgery Center                     | Rutherford | Multi Specialty                     | 2     | 2     | 1         | 31     |
| Middle Tennessee Ambulatory Surgery Center             | Rutherford | Multi Specialty                     | 2     | 5     | 0         | 58     |
| Planned Parenthood Greater Memphis Region, Inc.        | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Memphis Surgery Center                                 | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Le Bonheur East Surgery Center, II                     | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| East Memphis Surgery Center                            | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 1      |
| Campbell Clinic Surgery Center Midtown                 | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Methodist Surgery Center Germantown                    | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| North Surgery Center                                   | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Baptist Germantown Surgery Center                      | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Campbell Clinic Surgery Center                         | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Semmes-Murphey Clinic                                  | Shelby     | Multi Specialty                     | 0     | 0     | 1         | 0      |
| Surgery Center at Saint Francis                        | Shelby     | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Bristol Surgery Center                                 | Sullivan   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Kingsport Ambulatory Surgery Center                    | Sullivan   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Sapling Grove ASC                                      | Sullivan   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Holston Valley Surgery Center                          | Sullivan   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Renaissance Surgery Center                             | Sullivan   | Multi Specialty                     | 0     | 0     | 0         | 0      |
| Patient Partners                                       | Sumner     | Multi Specialty                     | 217   | 18    | 96        | 84     |
| Indian Lake Surgery Center                             | Sumner     | Multi Specialty                     | 24    | 1     | 13        | 7      |



**Exhibit 1 - Access to ASTCs  
(Exhibit to Attachment C, Need-1(a))**

|  |            |                 |     |     |     |     |
|--|------------|-----------------|-----|-----|-----|-----|
| East Tennessee Ambulatory Surgery Center | Washington | Multi Specialty | 0   | 0   | 0   | 0   |
| Mountain Empire Surgery Center           | Washington | Multi Specialty | 0   | 0   | 0   | 1   |
| Cool Springs Surgery Center              | Williamson | Multi Specialty | 6   | 7   | 3   | 14  |
| Franklin Endoscopy Center                | Williamson | Multi Specialty | 0   | 1   | 0   | 19  |
| Providence Surgery Center**              | Wilson     | Multi Specialty | N/A | N/A | N/A | N/A |

\*\*The CON for Providence Surgery Center is Dual-Specialty; therefore, Providence Surgery Center is removed from the multi-specialty outmigration calculation

|               |     |     |     |      |
|---------------|-----|-----|-----|------|
| County-Totals | 433 | 283 | 288 | 3313 |
|---------------|-----|-----|-----|------|

Service Area Total 4317

|                           |        |
|---------------------------|--------|
| % Outmigration-Coffee     | 0.05   |
| % Outmigration-Davidson   | 81.47  |
| % Outmigration-Knox       | 0.05   |
| % Outmigration-Montgomery | 0.05   |
| % Outmigration-Putnam     | 2.69   |
| % Outmigration-Rutherford | 3.82   |
| % Outmigration-Shelby     | 0.05   |
| % Outmigration-Sumner     | 10.66  |
| % Outmigration-Washington | 0.02   |
| % Outmigration-Williamson | 1.16   |
|                           | 100.00 |

## **ADMINISTRATION**

### **MEDICAL STAFF APPLICATION, APPOINTMENT, AND RE-APPOINTMENT POLICY**

#### **Policy:**

Tennessee Orthopedics Surgery Center will credential all individuals who seek privileges in accordance with CMS and AAAHC regulations and standards. This process and policy will also be utilized for initial application of certain allied health care professionals, such as Certified Nurse Anesthetists or Physician Assistant for all applicable documentation.

#### **Procedure:**

#### **Application:**

1. The applicant will submit the application for staff appointment and clinical privileges to the Administrator.
2. All questions must be answered and any "yes" answer requires an explanation. Prior to the application being submitted, the applicant will be provided with a copy of the Bylaws and Rules and Regulations of the medical staff.
3. The applicant must sign the Release of Information form and the delineation of privileges form(s) and in doing so signifies his or her willingness to appear for interviews in regard to his or her application and must:
  1. Authorize Tennessee Orthopedics Surgery Center representatives to consult with others who have been associated with him or her and/or have information bearing on his or her competence and qualifications.
  2. Consent to Tennessee Orthopedics Surgery Center representatives' inspection of all records and documents that may be material to an evaluation of his or her professional and ethical qualifications and competence to carry out the clinical privileges he or she requests, physical and mental health status.
  3. Release from any liability all of Tennessee Orthopedics Surgery Center representatives for their acts performed in connection with the evaluation of his or her credentials and qualifications.
  4. Release from any liability all individuals and organizations who provide information to representative including otherwise privileged or confidential information concerning his or her competence, professional ethics, character, physical and mental health, emotional stability, and other qualifications for staff appointment and clinical privileges.
  5. Authorize and consent to Tennessee Orthopedics Surgery Center representatives providing other hospitals, medical associations, licensing boards, and any organizations concerned with provider

performance and the quality and efficiency of patient care with any relevant information that the Tennessee Orthopedics Surgery Center may have concerning him or her, and release Tennessee Orthopedics Surgery Center representatives from liability for so doing signifies that he or she agrees to be bound by the current Tennessee Orthopedics Surgery Center bylaws, rules and regulations, in regard to his or her application for appointment to the Medical Staff and for clinical privileges.

4. A completed application shall include:
  - a. An application for appointment to the medical staff;
  - b. Delineation of Privileges form(s);
  - c. An "Authorization for Release of Information" form;
  - d. A signed Medicare Attestation Statement;
  - e. Three (3) peer references forms to distribute to current physicians or CRNA's practicing in their respective specialty.
  - f. A hospital or organizational reference;
5. The applicant must also provide the following documentation:
  - a. The typed or handwritten application, signed authorization of release form and signed delineation of privileges form(s);
  - b. A photocopy of the applicant's registered license to practice medicine in the State of Tennessee or the allied health care professionals license to practice in the State of Tennessee;
  - c. A complete record of the applicant's professional education and post-graduate training;
  - d. A photocopy of specialty/subspecialty board certifications, re-certification and/or eligibility for certification;
  - e. A statement about physical and mental health impairments, hospitalizations, current therapy, insurance ratings or denials;
  - f. A complete description of pending or completed disciplinary actions involving the applicant, including any previously successful or currently pending challenges to licensure or registration, and a statement about failures to obtain, reduction in classification, or voluntary or involuntary resignations of any of the following: professional license or certificate, professional society membership, or fellowship, professional academic appointment, staff membership status or privileges at any other hospital or health care institution, DEA, professional liability insurance;
  - g. A statement as to the applicant's professional liability insurance, including company name, policy number, effective dates and basic coverage in such an amount as required by the Governing Board;
  - h. A complete description of any convictions of state or federal criminal charges, excluding minor traffic violations, involving the applicant and the status of any current indictments or other formal charges;
  - i. Any complaints or adverse action reports filed against the applicant with local, state, or national professional society or licensure board;
  - j. Current physical, mental health, or chemical dependency problems that would interfere with an applicant's ability to provide high-quality

- care and professional services;
  - k. A signed statement releasing the organization from liability and attesting to the correctness and completeness of the submitted information;
  - i. A current curriculum vitae.
6. The following information will be gathered after the application is received in the Administrator's Office:
- a. Primary source verification of professional degree
  - b. Primary source verification of training
  - c. Primary source verification of all current and previous hospital affiliation(s)
  - d. Primary source verification of all current state license
  - e. Primary source verification of Tennessee Controlled Dangerous Substance
  - f. Primary source verification of Current DEA certificate
  - g. Primary source verification of Malpractice Insurance
  - h. Primary source verification of Board certification where applicable
  - i. Two to Three letters of recommendation.
  - j. Query the NPBD
  - k. Query the Office of Inspector General
  - l. Query the AMA Profile, if applicable
7. The Administrator will forward the completed files to the Governing Body.
8. The Governing Body, at its discretion shall accept, reject or return an application for further study.
- a. Notification of the action of the Governing Body shall be made in writing to all applicants through the Administrator.
  - b. In the event that an application for appointment to the Medical Staff is rejected, the applicant may appeal such rejection within (30) days of the receipt of notification, by writing to the Medical Director. The appeal shall be conducted in accordance with Bylaws, Rules and Regulations.
  - c. All information obtained from the application process will be reviewed to determine to determine if appointment to the medical staff is appropriate. Once the information is deemed acceptable for the facility, the physician may be appointed to the medical staff and granted privileges to perform surgery.

#### Appointment and Privileging:

1. The privileges requested will be approved based on review of the completed application and in accordance with the utilization criteria set forth by the governing body and on the applicant's education, training, and qualifications. The physicians scope of procedures will be reviewed annually or sooner if needed.

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2. Privileges are granted for two-years.
3. Peer review occurs on-going and summarized on an annual basis.
  - a. All physicians participate in the peer review process.
  - b. All physicians must sign the consent authorizing the peer review process.
  - c. Information obtained from quality improvement, risk management, infection control, patient and employee satisfaction, the peer review chart audit, and the utilization review will be used in determining a physician's continuation of privileges. The center utilizes a report card. The governing body will review all pertinent information in making this determination. All information obtained from the peer review process will be utilized in the reappointment process.
4. The governing body reserves the right to approve, change or deny privileges at the center.

**Reappointment:**

1. The reappointment process is the same as the application and appointment process and requires all documentation listed in the application portion of this policy to be completed by the physician and resubmitted for evaluation by the governing body except the peer references and hospital reference requests.
2. Results from the peer review process will also be utilized in evaluating the physician's eligibility for reappointment.

Reviewed 05/02/16

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Attachment C, Need-3  
(County Level Map of Service Area)



ATT. C, NEED - 5(A)

| COUNTY | FACILITY NAME   | FACILITY TYPE | MULTI- vs. SINGLE-SPECIALTY  | OR USED FOR INPATIENT AND OUTPATIENT | DEDICATED OUTPATIENT ORs | DEDICATED OUTPATIENT PRs | 2012-2013 CASES IN ORs | % OF FULL CAPACITY FOR ORs | 2012-2013 CASES IN PRs | % OF FULL CAPACITY FOR PRs |
|--------|---|---------------|------------------------------|--------------------------------------|--------------------------|--------------------------|------------------------|----------------------------|------------------------|----------------------------|
| Wilson | Wilson County Eye Surgery Ctr LLC   | ASTC          | Single (Eye)                 |                                      | 1                        | 1                        | 895                    | 71                         | 250                    | 9                          |
|        | Lebanon Endoscopy Ctr LLC   | ASTC          | Single (Endoscopy)           |                                      | 2                        | 2                        | 0 N/A                  |                            | 2140                   | 40                         |
|        | Tenn Sports Medicine Surgery Ctr dba Providence Surgery Ctr   | ASTC          | Dual (Ortho Surg & Pain Met) |                                      | 2                        | 1                        | 765                    | 30                         | 6                      | 0                          |
|        | Lebanon HMA Surgery Ctr LLC dba Lebanon Surgical Ctr  | ASTC          | Multi                        |                                      | 1                        | 1                        | 77                     | N/A                        | 0                      | N/A                        |
| Smith  | University Medical Ctr  | Hospital      |                              |                                      | 4                        | 0                        | 4769                   | 94                         | N/A                    | N/A                        |
|        | Riverview Reg Med Ctr North   | Hospital      | FACILITY                     | CLOSED                               |                          |                          |                        |                            |                        |                            |
|        | Riverview Reg Med Ctr South   | Hospital      |                              | 2                                    | 0                        | 0                        | 780                    | N/A                        | N/A                    | N/A                        |
| Macon  | Macon Co. Gen. Hospital   | Hospital      |                              |                                      | 1                        | 0                        | 797                    | 63                         | N/A                    | N/A                        |
| Notes: | 1. Percentage of Full Capacity is calculated based on the ASTC Revised Standards and Criteria that became effective 5/23/13.  |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 2. Full Capacity for OR was 1,263 Cases/year; and for PR was 2,667 Cases/year.  |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 3. The 2012-13 ASTC JAR reporting period is the first report to segregate Cases performed in ORs and PRs.   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 4. Lebanon Endoscopy Center added 1 additional OR in the 2012-13 JAR reporting year.  |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 5. Utilization for Riverview South not calculated because there are no dedicated outpatient OR's.   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 6. The ASTC reporting is based on the July 1-June 30 straddle period; whereas the hospital reporting period is calendar year.   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 7. Hospital utilization reporting is based upon Encounters, the definition of which is identical to ASTC "Cases," e.g., 1 visit by 1 patient to an OR or PR regardless of number of procedures. |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 8. Lebanon Surgery Center is currently closed.  |               |                              |                                      |                          |                          |                        |                            |                        |                            |

0090

ATT. C, NEED-5(A)

| COUNTY  | FACILITY NAME   | FACILITY TYPE | MULTI- vs. SINGLE-SPECIALTY  | OR USED FOR INPATIENT AND OUTPATIENT | DEDICATED OUTPATIENT ORs | DEDICATED OUTPATIENT PRs | 2013-2014 CASES IN ORs | % OF FULL CAPACITY FOR ORs | 2013-2014 CASES IN PRs | % OF FULL CAPACITY FOR PRs |
|---|---|---------------|------------------------------|--------------------------------------|--------------------------|--------------------------|------------------------|----------------------------|------------------------|----------------------------|
| Wilson  | Wilson County Eye Surgery Ctr LLC                           | ASTC          | Single (Eye)                 |                                      | 1                        | 1                        | 953                    | 75                         | 309                    | 12                         |
|   | Lebanon Endoscopy Ctr LLC                                   | ASTC          | Single (Endoscopy)           |                                      | 2                        | 2                        | 0 N/A                  |                            | 1893                   | 35                         |
|   | Tenn Sports Medicine Surgery Ctr dba Providence Surgerv Ctr | ASTC          | Dual (Ortho Surg & Pain Mgt) |                                      | 2                        | 1                        | 652                    | 26                         | 55                     | 2                          |
|   | Lebanon HMA Surgery Ctr LLC dba Lebanon Surgical Ctr        | ASTC          | FACILITY                     | CLOSED                               |                          |                          |                        |                            |                        |                            |
|   | University Medical Ctr                                      | Hospital      |                              |                                      | 4                        | 0                        | 4427                   | 88                         | N/A                    | N/A                        |
| Smith   | Riverview Reg Med Ctr North                                 | Hospital      | FACILITY                     | CLOSED                               |                          |                          |                        |                            |                        |                            |
|   | Riverview Reg Med Ctr South                                 | Hospital      |                              | 2                                    | 0                        | 0                        | 1000                   | N/A                        | N/A                    | N/A                        |
| Macon   | Macon Co. Gen. Hospital                                     | Hospital      |                              |                                      | 1                        | 0                        | 841                    | 67                         | N/A                    | N/A                        |
| Notes:  |   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
| 1. Percentage of Full Capacity is calculated based on the ASTC Revised Standards and Criteria that became effective 5/23/13.  |   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
| 2. Full Capacity for OR was 1,263 Cases/year, and for PR was 2,667 Cases/year.  |   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
| 3. Utilization for Riverview South not calculated because there are no dedicated outpatient OR's.   |   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
| 4. The ASTC reporting is based on the July 1-June 30 straddle period; whereas the hospital reporting period is calendar year.   |   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
| 5. Hospital utilization reporting is based upon Encounters, the definition of which is identical to ASTC "Cases," e.g., 1 visit by 1 patient to an OR or PR regardless of number of procedures. |   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
| 6. Lebanon Surgery Center is currently closed.  |   |               |                              |                                      |                          |                          |                        |                            |                        |                            |

0091



| COUNTY | FACILITY NAME   | FACILITY TYPE | MULTI- vs. SINGLE-SPECIALTY  | OR USED FOR INPATIENT AND OUTPATIENT | DEDICATED OUTPATIENT ORs | DEDICATED OUTPATIENT PRs | 2014-2015 CASES IN ORs | % OF FULL CAPACITY FOR ORs | 2014-2015 CASES IN PRs | % OF FULL CAPACITY FOR PRs |
|--------|---|---------------|------------------------------|--------------------------------------|--------------------------|--------------------------|------------------------|----------------------------|------------------------|----------------------------|
| Wilson | Wilson County Eye Surgery Ctr LLC   | ASTC          | Single (Eye)                 |                                      | 1                        | 1                        | 987                    | 78                         | 356                    | 13                         |
|        | Lebanon Endoscopy Ctr LLC   | ASTC          | Single (Endoscopy)           |                                      | 0                        | 2                        | 0                      | N/A                        | 1931                   | 36                         |
|        | Tenn Sports Medicine Surgery Ctr dba Providence Surgery Ctr   | ASTC          | Dual (Ortho Surg & Pain Mgt) |                                      | 2                        | 1                        | 542                    | 21                         | 131                    | 5                          |
|        | Lebanon HMA Surgery Ctr LLC dba Lebanon Surgical Ctr  | ASTC          | FACILITY                     | CLOSED                               |                          |                          |                        |                            |                        |                            |
|        | University Medical Ctr  | Hospital      |                              |                                      | 4                        | 0                        |                        |                            |                        |                            |
| Smith  | Riverview Reg Med Ctr North   | Hospital      | FACILITY                     | CLOSED                               |                          |                          |                        |                            |                        |                            |
|        | Riverview Reg Med Ctr South   | Hospital      |                              | 2                                    | 0                        | 0                        | 2015                   | HOSPITAL                   | JAR NOT AVAILABLE      |                            |
| Macon  | Macon Co. Gen. Hospital   | Hospital      |                              |                                      | 1                        | 0                        | 2015                   | HOSPITAL                   | JAR NOT AVAILABLE      |                            |
| Notes: | 1. 2014-15 ASTC JAR released April 30, 2016.  |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 2. 2015 Hospital utilization not reported because 2015 Hospital JAR release is delayed, with release projected for Nov. 2016. |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 3. Lebanon Endoscopy Center has dropped from 2 OR's to zero OR's.   |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 4. Existing ASTC resources continue to be inefficiently utilized; do not have capacity to meet Service Area need.             |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 5. Percentage of Full Capacity is calculated based on the ASTC Revised Standards and Criteria that became effective 5/23/13.  |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 6. Full Capacity for OR was 1,263 Cases/year; and for PR was 2,667 Cases/year.  |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 7. Utilization for Riverview South not calculated because there are no dedicated outpatient OR's.                             |               |                              |                                      |                          |                          |                        |                            |                        |                            |
|        | 8. Lebanon Surgery Center is currently closed, and in 2015 is not reported on the ASTC JAR.                                   |               |                              |                                      |                          |                          |                        |                            |                        |                            |

ATT. C, NEED-5(A)

| <b>2013-2014 ASTC SERVICE AREA OUTMIGRATION</b>  |   |               |                                     |               |
|--|---|---------------|-------------------------------------|---------------|
|  | Wilson Co.  | Smith Co.     | Macon Co.                           | Trousdale Co. |
| <b>All ASTC's:</b> Total Patients Served 4-County Service Area                                   | 8861  | 982           | 1015                                | 415           |
| Services Received Inside Service Area  | 1940  | 365           | 312                                 | 105           |
| Services Received Outside Service Area   | 6921  | 617           | 703                                 | 310           |
| <b>ALL ASTC'S: SERVICE AREA OUTMIGRATION %</b>   | <b>78.11</b>  | <b>62.83</b>  | <b>69.26</b>                        | <b>74.70</b>  |
| <b>MultiSpecialty ASTC's:</b> Total Patients Served 4-County Service Area                        | 3312  | 303           | 491                                 | 238           |
| Services Received Outside Service Area   | 3312  | 303           | 491                                 | 238           |
| <b>MULTISPECIALTY: SERVICE AREA OUTMIGRATION %</b>   | <b>100.00</b>                                       | <b>100.00</b> | <b>100.00</b>                       | <b>100.00</b> |
| *Does not include Providence Surgery Center utilization because, although listed in the JAR as a |   |               |                                     |               |
| Source: ASTC Joint Annual Report, 7/1/13-6/30/14, Patient Origin Data                            |   |               |                                     |               |
| <b>2014 HOSPITAL-BASED AMBULATORY SURGERY RECEIVED BY SERVICE AREA RESIDENTS</b>                 |   |               |                                     |               |
| Ambulatory Surgery Received in Service Area  | Ambulatory Surgery Received Outside of Service Area | Total         | Hospital-Based Outmigration Percent |               |
| 19,364   | 18,121  | 37,485        | 51.66                               |               |
| Source: Hospital Joint Annual Report, 2014, Patient Origin Data                                  |   |               |                                     |               |

| <b>2014-2015 ASTC SERVICE AREA OUTMIGRATION</b>  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
|  | Wilson Co.    | Smith Co.     | Macon Co.     | Trousdale Co. |
| <b>All ASTC's: Total Patients Served 4-County Service Area</b>   | 9050          | 832           | 876           | 484           |
| Services Received Inside Service Area  | 1968          | 311           | 236           | 102           |
| Services Received Outside Service Area   | 7082          | 521           | 640           | 382           |
| <b>ALL ASTC'S: SERVICE AREA OUTMIGRATION %</b>   | <b>78.25</b>  | <b>62.62</b>  | <b>73.06</b>  | <b>78.93</b>  |
|  |               |               |               |               |
|  |               |               |               |               |
| <b>MultiSpecialty ASTC's: Total Patients Served 4-County Service Area*</b>   | 3313          | 283           | 433           | 288           |
| Services Received Outside Service Area   | 3313          | 283           | 433           | 288           |
| <b>MULTISPECIALTY: SERVICE AREA OUTMIGRATION %</b>   | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> |
| *Does not include Providence Surgery Center utilization because, although listed in the JAR as a multi-specialty ASTC, Providence Surgery Center's CON is limited to dual-specialty. |               |               |               |               |
|  |               |               |               |               |
| Source: ASTC Joint Annual Report, 7/1/14-6/30/15, Patient Origin Data  |               |               |               |               |
|  |               |               |               |               |
| <b>NOTE: 2015 HOSPITAL-BASED AMBULATORY SURGERY OUTMIGRATION CANNOT BE REPORTED BECAUSE THE 2015 HOSPITAL JAR IS NOT AVAILABLE</b>   |               |               |               |               |
|  |               |               |               |               |



May 3, 2016

Dr. Roy Terry  
Tennessee Orthopedics  
101 Physicians Way  
Lebanon, TN 37090

RE: Estimate of Surgical Suite Build-out Costs  
Lebanon, TN

Dear Dr. Terry,

The preliminary budget for the 5,684 S.F. surgery suite build-out located at the new Phoenix medical building is estimated to be \$685,000 (\$121/sf). This preliminary budget includes the interior walls, sheet rock, painting, electrical, mechanical and fire protection. This budget does not include the following:

- Architectural, Engineering and Consulting Fees;
- Licensing Fees;
- Medical Gases;
- Backup electrical generator and transfer switch;
- Suction;
- Surgical Equipment including instrument trays, tourniquet, Start up supplies and Equipment Outfitting;
- Computers, servers and monitors;
- Furniture for waiting rooms and other common spaces; and
- Specialty lighting

Should you have any questions or if you need any additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "D.K. Pine".

David K. Pine, P.E.

Hartsville  
100 McMurry Boulevard  
P.O. Box 45 | Hartsville, TN 37074  
Ph: 615.374.2265, 615.254.3279  
Tf: 800.337.4742  
F: 615.374.9571  
CBTenn.com



Attachment C, Economic Feasibility-2  
(Commercial Funding Commitment)

Gallatin  
150 West Main Street  
Gallatin, TN 37066  
Ph: 615.206.1748  
F: 615.206.1958  
CBTenn.com

April 28, 2016

Roy C. Terry, M.D.  
Tennessee Orthopedics, P. C.  
101 Physicians Way  
Lebanon, TN 37090

RE: Commercial Funding Commitment

Dear Dr. Terry,

Citizens Bank is committed to becoming involved in providing funding for your future ASTC project. The surgery center is to be constructed in an existing medical office building located at 101 Physicians Way, Lebanon, TN. The projected funding request is for approximately \$2,400,000 for build-out, equipment and working capital relative to the surgery center. Citizens Bank will be working towards a term sheet in the future as the project nears approval or is approved. The rate and term of the construction portion of the loan will be subject to credit strength and loan to value. Currently, rates for such a project are in the range of 4.50% to 5.50%. These rates are subject to many factors including the term of the loan and the credit worthiness of the borrower. The term would be up to 12 months for the build-out phase, with permanent financing up to 20 years. The equipment portion would be for 36 to 60 months fixed at approximately 6%. This is just a guideline of rates and terms under current economic conditions and your current credit worthiness. Final approval of the loan and terms is subject to review of up to date financials, plans, etc. by Citizens Bank.

If there are questions pertaining to the details of Citizens Bank's intentions in this matter, please feel free to call me directly. If I am unavailable, you may speak with our president and CEO, Todd Austin.

Sincerely,

Betty Sue Hibdon  
President/CEO Emeritus  
NMLS # 454004

BSH/bs



0096



*Royce A. Belcher* Certified Public Accountant  
420 West Main Street • Lebanon, Tennessee 37087 • 615/444-1149 • Fax 615/444-6626

To the Board of Directors  
Tennessee Orthopedics PC  
Lebanon, Tennessee

We have compiled the accompanying statement of assets, liabilities, and equity-cash basis of Tennessee Orthopedics, PC. (an S corporation) as of December 31, 2015, the related statements of revenues and expenses-cash basis for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Royce A. Belcher, CPA*

January 26, 2016

Tennessee Orthopedics, PC 2015  
Balance Sheet  
December 31, 2015

ASSETS

|                                |    |                   |
|--------------------------------|----|-------------------|
| Current Assets                 |    |                   |
| Cash - First Tennessee         | \$ | 74,134.20         |
| Cash - Wilson Bank             |    | 8,727.32          |
| Cash - Pinnacle Bank Checking  |    | 2,445.39          |
| RMA Escrow Account             |    | 19,854.80         |
|                                |    | <hr/>             |
| Total Current Assets           |    | 105,161.71        |
| Property and Equipment         |    |                   |
| Medical Equipment - ANC        |    | 528,882.40        |
| Medical Equipment - Gallatin   |    | 28,480.21         |
| Medical Equipment - IRG        |    | 175,743.40        |
| Leasehold Improvements         |    | 31,698.84         |
| Medical Equipment              |    | 136,367.52        |
| Office Equipment               |    | 342,977.18        |
| Furniture & Fixtures           |    | 67,463.29         |
| Accumulated Depreciation - ANC |    | (528,882.00)      |
| Accumulated Depreciation - IRG |    | (175,744.00)      |
| Accumulated Depreciation       |    | (506,512.98)      |
|                                |    | <hr/>             |
| Total Property and Equipment   |    | 100,473.86        |
| Other Assets                   |    |                   |
|                                |    | <hr/>             |
| Total Other Assets             |    | 0.00              |
|                                |    | <hr/>             |
| Total Assets                   | \$ | <u>205,635.57</u> |

LIABILITIES AND CAPITAL

|                             |    |                   |
|-----------------------------|----|-------------------|
| Current Liabilities         |    |                   |
|                             |    | <hr/>             |
| Total Current Liabilities   |    | 0.00              |
| Long-Term Liabilities       |    |                   |
| Line of Credit - Pinnacle   | \$ | 113,692.07        |
| Equipment Lease             |    | 101.27            |
| Equipment Lease             |    | 16,598.10         |
|                             |    | <hr/>             |
| Total Long-Term Liabilities |    | 130,391.44        |
|                             |    | <hr/>             |
| Total Liabilities           |    | 130,391.44        |
| Capital                     |    |                   |
| Retained Earnings           |    | (26,624.12)       |
| Common Stock                |    | 8,000.00          |
| Net Income                  |    | 93,868.25         |
|                             |    | <hr/>             |
| Total Capital               |    | 75,244.13         |
|                             |    | <hr/>             |
| Total Liabilities & Capital | \$ | <u>205,635.57</u> |

Unaudited - For Management Purposes Only

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Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

|                            | Current Month |        | Year to Date |        |
|----------------------------|---------------|--------|--------------|--------|
| Revenues                   |               |        |              |        |
| Fees                       | \$ 0.00       | 0.00   | \$ 0.00      | 0.00   |
| Fees                       | 27,442.76     | 9.09   | 326,370.10   | 10.63  |
| Fees                       | 39,904.18     | 13.21  | 604,530.83   | 19.69  |
| Fees                       | 0.00          | 0.00   | 1,807.40     | 0.06   |
| Fees for Beau              | 0.00          | 0.00   | 56,072.86    | 1.83   |
| Fees                       | 0.00          | 0.00   | 36,702.50    | 1.20   |
| Fees                       | 45,533.03     | 15.08  | 489,065.63   | 15.93  |
| Fees                       | 0.00          | 0.00   | 3,263.18     | 0.11   |
| Fees                       | 167,549.97    | 55.48  | 1,335,310.82 | 43.49  |
| Fees                       | 0.00          | 0.00   | 763.60       | 0.02   |
| Fees                       | 21,558.70     | 7.14   | 192,881.54   | 6.28   |
| Fees for Greg              | 0.00          | 0.00   | 22,074.42    | 0.72   |
| Other Income               | 0.00          | 0.00   | 0.00         | 0.00   |
| Fees                       | 0.00          | 0.00   | 360.00       | 0.01   |
| Other Income               | 0.00          | 0.00   | 1,537.12     | 0.05   |
| Other Income               | 0.00          | 0.00   | 0.00         | 0.00   |
| Other Income               | 0.00          | 0.00   | 352.77       | 0.01   |
| Production Bonus           | 0.00          | 0.00   | 0.00         | 0.00   |
| Production Bonus           | 0.00          | 0.00   | 0.00         | 0.00   |
| Refunds                    | 0.00          | 0.00   | 0.00         | 0.00   |
| Refunds                    | 0.00          | 0.00   | (200.00)     | (0.01) |
| Refunds                    | (13.51)       | 0.00   | (925.03)     | (0.03) |
| Refunds                    | 0.00          | 0.00   | 0.00         | 0.00   |
| Refunds                    | 0.00          | 0.00   | (101.35)     | 0.00   |
| Refunds                    | 0.00          | 0.00   | 41.71        | 0.00   |
| Refunds                    | 0.00          | 0.00   | (4,266.59)   | (0.14) |
| Refunds                    | 0.00          | 0.00   | 65.12        | 0.00   |
| Refunds                    | 0.00          | 0.00   | (323.40)     | (0.01) |
| Returned Checks            | 0.00          | 0.00   | 0.00         | 0.00   |
| Returned Checks            | 0.00          | 0.00   | 0.00         | 0.00   |
| Returned Checks            | 0.00          | 0.00   | 0.00         | 0.00   |
| Returned Checks            | 0.00          | 0.00   | 0.00         | 0.00   |
| Returned Checks            | (683.47)      | (0.23) | (760.41)     | (0.02) |
| Returned Checks            | 0.00          | 0.00   | (66.94)      | 0.00   |
| Rental Income              | 700.00        | 0.23   | 2,900.00     | 0.09   |
| Rental Income              | 0.00          | 0.00   | 2,796.49     | 0.09   |
| Payroll - Production Bonus | 0.00          | 0.00   | 0.00         | 0.00   |
| Payroll - Anc. Bonus Paid  | 0.00          | 0.00   | 0.00         | 0.00   |
| Payroll - PT Bonus Paid    | 0.00          | 0.00   | 0.00         | 0.00   |
| Total Revenues             | 301,991.66    | 100.00 | 3,070,252.37 | 100.00 |
| Cost of Sales              |               |        |              |        |
| Total Cost of Sales        | 0.00          | 0.00   | 0.00         | 0.00   |
| Gross Profit               | 301,991.66    | 100.00 | 3,070,252.37 | 100.00 |
| Expenses                   |               |        |              |        |
| Accounting Fees            | 0.00          | 0.00   | 0.00         | 0.00   |
| Accounting Fees            | 0.00          | 0.00   | 0.00         | 0.00   |
| Accounting Fees            | 0.00          | 0.00   | 0.00         | 0.00   |
| Accounting Fees            | 3,200.00      | 1.06   | 19,345.00    | 0.63   |
| Automobile Expenses        | 157.30        | 0.05   | 1,512.46     | 0.05   |
| Automobile Expenses        | 52.80         | 0.02   | 2,885.47     | 0.09   |
| Bank Service Charges       | 0.00          | 0.00   | 0.00         | 0.00   |
| Bank Service Charges       | 0.00          | 0.00   | 359.13       | 0.01   |
| Bank Service Charges       | 14.00         | 0.00   | 2,104.77     | 0.07   |

For Management Purposes Only

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Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

|                               | Current Month |        | Year to Date |        |
|-------------------------------|---------------|--------|--------------|--------|
| Bank Service Charge           | 0.00          | 0.00   | 14.00        | 0.00   |
| Billing & Collections         | 0.00          | 0.00   | 252.10       | 0.01   |
| Billing & Collections         | 0.00          | 0.00   | 539.01       | 0.02   |
| Billing & Collections         | 0.00          | 0.00   | 373.03       | 0.01   |
| Billing & Collections         | 0.00          | 0.00   | 1,045.92     | 0.03   |
| Billing & Collections         | 12,586.63     | 4.17   | 77,042.87    | 2.51   |
| Billing & Collections         | 0.00          | 0.00   | 297.81       | 0.01   |
| Computer Repair & Svs.        | 0.00          | 0.00   | 0.00         | 0.00   |
| Computer Repair & Svs.        | 0.00          | 0.00   | 1,908.13     | 0.06   |
| Computer Repair & Svs.        | 0.00          | 0.00   | 845.30       | 0.03   |
| Computer Repair & Svs.        | 1,715.24      | 0.57   | 10,151.78    | 0.33   |
| Contract Labor                | 0.00          | 0.00   | 1,342.53     | 0.04   |
| Contract Labor                | 407.80        | 0.14   | 6,742.70     | 0.22   |
| Contract Labor                | 0.00          | 0.00   | 250.00       | 0.01   |
| Contract Labor                | 0.00          | 0.00   | 3,933.75     | 0.13   |
| Contract Labor                | 1,819.00      | 0.60   | 16,276.90    | 0.53   |
| Contracted Services           | 0.00          | 0.00   | 200.61       | 0.01   |
| Contracted Services           | 0.00          | 0.00   | 538.55       | 0.02   |
| Contracted Services           | 0.00          | 0.00   | 538.55       | 0.02   |
| Contracted Services           | 336.93        | 0.11   | 1,204.08     | 0.04   |
| Contracted Services           | 4,210.55      | 1.39   | 34,821.45    | 1.13   |
| Credit Card Fees              | 0.00          | 0.00   | 122.21       | 0.00   |
| Credit Card Fees              | 524.14        | 0.17   | 1,089.81     | 0.04   |
| Credit Card Fees              | 0.00          | 0.00   | 3,293.93     | 0.11   |
| Dues & Subscriptions          | 0.00          | 0.00   | 0.00         | 0.00   |
| Dues & Subscriptions          | 0.00          | 0.00   | 75.00        | 0.00   |
| Dues and Subscriptions        | 0.00          | 0.00   | 84.00        | 0.00   |
| Dues & Subscriptions          | 1,049.99      | 0.35   | 1,865.81     | 0.06   |
| Dues & Subscriptions          | 425.00        | 0.14   | 2,522.23     | 0.08   |
| Equipment Lease               | 31,920.68     | 10.57  | 209,080.83   | 6.81   |
| Equipment Lease               | 0.00          | 0.00   | 0.00         | 0.00   |
| Equipment Lease               | 0.00          | 0.00   | 310.60       | 0.01   |
| Flowers & Gifts               | 0.00          | 0.00   | 0.00         | 0.00   |
| Flowers & Gifts               | 0.00          | 0.00   | 165.18       | 0.01   |
| Flowers & Gifts               | 0.00          | 0.00   | 0.00         | 0.00   |
| Flowers & Gifts               | 0.00          | 0.00   | 125.15       | 0.00   |
| Housekeeping/Maintenance      | 0.00          | 0.00   | 0.00         | 0.00   |
| Housekeeping/Maintenance      | 20.00         | 0.01   | 658.00       | 0.02   |
| Housekeeping/Maintenance      | 0.00          | 0.00   | 692.30       | 0.02   |
| Housekeeping/Maintenance      | 37.00         | 0.01   | 3,949.00     | 0.13   |
| Insurance - General Liability | 0.00          | 0.00   | 0.00         | 0.00   |
| Insurance - General Liability | 0.00          | 0.00   | 0.00         | 0.00   |
| Insurance - General Liability | 0.00          | 0.00   | 0.00         | 0.00   |
| Insurance - General Liability | 0.00          | 0.00   | 0.00         | 0.00   |
| Insurance - General Liability | 472.50        | 0.16   | 4,675.50     | 0.15   |
| Insurance - Malpractice       | 24,708.00     | 8.18   | 24,708.00    | 0.80   |
| Insurance - Staff             | (24.82)       | (0.01) | (658.09)     | (0.02) |
| Insurance - Staff             | (149.66)      | (0.05) | 1,291.74     | 0.04   |
| Insurance - Staff             | (119.89)      | (0.04) | (1,043.57)   | (0.03) |
| Insurance - Staff             | 1,070.25      | 0.35   | (647.44)     | (0.02) |
| Insurance - Staff             | 133.20        | 0.04   | 399.60       | 0.01   |
| Insurance - Work Comp         | 0.00          | 0.00   | 0.00         | 0.00   |
| Insurance - Work Comp         | 0.00          | 0.00   | 1,961.00     | 0.06   |
| Interest Expense              | 0.00          | 0.00   | 0.00         | 0.00   |
| Interest Expense              | 0.00          | 0.00   | 370.81       | 0.01   |
| Interest Expense              | 0.00          | 0.00   | 0.00         | 0.00   |
| Interest Expense              | 2,497.23      | 0.83   | 15,703.69    | 0.51   |
| Laundry                       | 118.99        | 0.04   | 381.37       | 0.01   |

For Management Purposes Only

0100

Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

|                              | Current Month |      | Year to Date |       |
|------------------------------|---------------|------|--------------|-------|
| Laundry                      | 118.99        | 0.04 | 401.30       | 0.01  |
| Laundry                      | 0.00          | 0.00 | 0.00         | 0.00  |
| Laundry                      | 118.99        | 0.04 | 2,284.98     | 0.07  |
| Legal Fees                   | 0.00          | 0.00 | 925.00       | 0.03  |
| Legal Fees                   | 155.46        | 0.05 | 771.46       | 0.03  |
| Legal Fees                   | 0.00          | 0.00 | 6,860.80     | 0.22  |
| Legal Fees                   | 11,517.80     | 3.81 | 51,348.92    | 1.67  |
| Licenses & Permits           | 0.00          | 0.00 | 0.00         | 0.00  |
| Licenses & Permits           | 0.00          | 0.00 | 69.04        | 0.00  |
| Licenses & Permits           | 0.00          | 0.00 | 100.00       | 0.00  |
| Licenses & Permits           | 0.00          | 0.00 | 285.00       | 0.01  |
| Licenses & Permits           | 0.00          | 0.00 | 1,888.42     | 0.06  |
| Licenses & Permits           | 0.00          | 0.00 | 235.00       | 0.01  |
| Marketing                    | 0.00          | 0.00 | 0.00         | 0.00  |
| Marketing                    | 0.00          | 0.00 | 2,285.00     | 0.07  |
| Marketing                    | 0.00          | 0.00 | 665.28       | 0.02  |
| Marketing                    | 1,641.52      | 0.54 | 7,729.69     | 0.25  |
| Meals & Entertainment        | 0.00          | 0.00 | 608.54       | 0.02  |
| Meals and Entertainment      | 0.00          | 0.00 | 50.92        | 0.00  |
| Medical Waste                | 0.00          | 0.00 | 13.33        | 0.00  |
| Medical Waste                | 557.70        | 0.18 | 3,281.36     | 0.11  |
| Office Expense               | 0.00          | 0.00 | 0.00         | 0.00  |
| Office Expense               | 0.00          | 0.00 | 84.10        | 0.00  |
| Office Expense               | 89.00         | 0.03 | 1,644.12     | 0.05  |
| Office Expense               | 0.00          | 0.00 | 207.05       | 0.01  |
| Office Expense               | 778.72        | 0.26 | 2,566.43     | 0.08  |
| Payroll Fees                 | 0.00          | 0.00 | 0.00         | 0.00  |
| Payroll Fees                 | 0.00          | 0.00 | 0.00         | 0.00  |
| Payroll Fees                 | 279.40        | 0.09 | 4,360.15     | 0.14  |
| Payroll - Staff Compensation | 6,485.16      | 2.15 | 58,501.76    | 1.91  |
| Payroll - Staff Compensation | 21,111.42     | 6.99 | 270,939.94   | 8.82  |
| Payroll - Staff Compensation | 8,019.89      | 2.66 | 50,833.75    | 1.66  |
| Payroll - Staff Compensation | 0.00          | 0.00 | 7,692.32     | 0.25  |
| Payroll - Staff Compensation | 21,688.30     | 7.18 | 344,071.37   | 11.21 |
| Payroll - Staff Compensation | 14,375.01     | 4.76 | 124,583.44   | 4.06  |
| Postage & Delivery           | 0.00          | 0.00 | 84.17        | 0.00  |
| Postage & Delivery           | 0.00          | 0.00 | 0.00         | 0.00  |
| Postage & Delivery           | 0.00          | 0.00 | 48.99        | 0.00  |
| Postage & Delivery           | 0.00          | 0.00 | 1,118.59     | 0.04  |
| Printing & Reproduction      | 0.00          | 0.00 | 0.00         | 0.00  |
| Printing & Reproduction      | 0.00          | 0.00 | 366.37       | 0.01  |
| Printing & Reproduction      | 0.00          | 0.00 | 207.75       | 0.01  |
| Printing & Reproductions     | 0.00          | 0.00 | 0.00         | 0.00  |
| Printing & Reproduction      | 0.00          | 0.00 | 1,173.83     | 0.04  |
| Printing & Reproduction      | 201.03        | 0.07 | 2,736.59     | 0.09  |
| Printing & Reproduction      | 0.00          | 0.00 | 0.00         | 0.00  |
| Rent                         | 0.00          | 0.00 | 0.00         | 0.00  |
| Rent                         | 4,545.00      | 1.51 | 27,265.00    | 0.89  |
| Rent                         | 0.00          | 0.00 | 640.00       | 0.02  |
| Rent                         | 8,421.00      | 2.79 | 47,534.16    | 1.55  |
| Rent                         | 1,710.30      | 0.57 | 6,841.20     | 0.22  |
| Rent                         | 1,600.00      | 0.53 | 5,600.00     | 0.18  |
| Rent                         | 29,383.44     | 9.73 | 151,903.82   | 4.95  |
| Repairs                      | 0.00          | 0.00 | 0.00         | 0.00  |
| Repairs                      | 92.86         | 0.03 | 372.55       | 0.01  |
| Repairs                      | 0.00          | 0.00 | 400.00       | 0.01  |
| Repairs                      | 0.00          | 0.00 | 8,638.57     | 0.28  |
| Repairs                      | 316.83        | 0.10 | 6,688.51     | 0.22  |

For Management Purposes Only

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Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

|                                | Current Month |       | Year to Date |       |
|--------------------------------|---------------|-------|--------------|-------|
| Service Contract - Equipment   | 15,142.56     | 5.01  | 100,951.09   | 3.29  |
| Service Contract - Equipment   | 0.00          | 0.00  | 1,523.15     | 0.05  |
| Service Contract - Equipment   | 2,296.71      | 0.76  | 4,973.41     | 0.16  |
| Supplies - Drugs & Injections  | 0.00          | 0.00  | 0.00         | 0.00  |
| Supplies - Drugs & Injections  | 0.00          | 0.00  | 5,250.00     | 0.17  |
| Supplies - Drugs and Injection | 4,995.00      | 1.65  | 18,798.40    | 0.61  |
| Supplies - Drugs & Injections  | 16,831.00     | 5.57  | 88,203.00    | 2.87  |
| Supplies - Medical             | 780.47        | 0.26  | 2,293.54     | 0.07  |
| Medical Supplies               | 0.00          | 0.00  | 107.60       | 0.00  |
| Supplies - Medical             | 0.00          | 0.00  | 46.15        | 0.00  |
| Supplies - Medical             | 1,984.35      | 0.66  | 32,965.46    | 1.07  |
| Supplies - Office              | 0.00          | 0.00  | 0.00         | 0.00  |
| Supplies - Office              | 368.69        | 0.12  | 586.35       | 0.02  |
| Office Supplies                | 0.00          | 0.00  | 1,890.24     | 0.06  |
| Supplies - Office              | 1,630.83      | 0.54  | 12,352.04    | 0.40  |
| Supplies - Other               | 0.00          | 0.00  | 0.00         | 0.00  |
| Supplies - Other               | 0.00          | 0.00  | 6.51         | 0.00  |
| Supplies - Other               | 0.00          | 0.00  | 2.79         | 0.00  |
| Supplies - Other               | 43.92         | 0.01  | 1,612.54     | 0.05  |
| Taxes - Franchise & Excise     | 0.00          | 0.00  | 2,600.00     | 0.08  |
| Taxes - Personal Property      | 0.00          | 0.00  | 0.00         | 0.00  |
| Taxes - Personal Property      | 2,372.00      | 0.79  | 4,050.96     | 0.13  |
| Taxes - Staff Payroll          | 495.79        | 0.16  | 4,257.53     | 0.14  |
| Taxes - Staff Payroll          | 547.52        | 0.18  | 12,450.85    | 0.41  |
| Taxes - Staff Payroll          | 599.19        | 0.20  | 3,810.93     | 0.12  |
| Taxes - Staff Payroll          | 0.00          | 0.00  | 644.03       | 0.02  |
| Taxes - Staff Payroll          | 1,516.13      | 0.50  | 28,106.97    | 0.92  |
| Taxes - Staff Payroll          | 722.60        | 0.24  | 9,216.36     | 0.30  |
| Telephone/Internet/TV          | 0.00          | 0.00  | 0.00         | 0.00  |
| Telephone/Internet/TV          | 736.09        | 0.24  | 4,136.51     | 0.13  |
| Telephone/Internet/TV          | 758.75        | 0.25  | 6,490.48     | 0.21  |
| Telephone/Internet/TV          | 1,030.47      | 0.34  | 20,280.71    | 0.66  |
| Tier II Expenses               | 58,939.00     | 19.52 | 366,108.00   | 11.92 |
| Transcription                  | 0.00          | 0.00  | 177.92       | 0.01  |
| Transcription                  | 0.00          | 0.00  | 801.51       | 0.03  |
| Transcription                  | 0.00          | 0.00  | 789.84       | 0.03  |
| Travel - CME                   | 0.00          | 0.00  | 2,000.00     | 0.07  |
| Travel CME                     | 0.00          | 0.00  | 1,500.00     | 0.05  |
| Travel - CME                   | 175.63        | 0.06  | 7,511.77     | 0.24  |
| Travel - CME                   | 0.00          | 0.00  | 295.00       | 0.01  |
| Uniforms - Staff               | 0.00          | 0.00  | 0.00         | 0.00  |
| Uniforms - Staff               | 0.00          | 0.00  | 0.00         | 0.00  |
| Uniforms - Staff               | 0.00          | 0.00  | 0.00         | 0.00  |
| Utilities                      | 2,312.90      | 0.77  | 15,988.10    | 0.52  |
| Utilities                      | 617.95        | 0.20  | 4,172.06     | 0.14  |
| Utilities                      | 586.46        | 0.19  | 7,077.31     | 0.23  |
| Utilities                      | 0.00          | 0.00  | 1,414.42     | 0.05  |
| Disability Ins - Mid-level     | 0.00          | 0.00  | 905.12       | 0.03  |
| Disability Ins - Staff         | 0.00          | 0.00  | 223.06       | 0.01  |
| Disability Ins - Physician     | 231.67        | 0.08  | 2,477.87     | 0.08  |
| Disability Ins - Mid-level     | 0.00          | 0.00  | 1,693.74     | 0.06  |
| Health Ins - Physician         | 1,007.79      | 0.33  | 4,673.68     | 0.15  |
| Payroll - Phy Salary           | 60,336.27     | 19.98 | 480,798.25   | 15.66 |
| Ancillary Bonus Allocated      | 0.00          | 0.00  | 0.00         | 0.00  |
| Payroll Taxes - Physician      | 1,071.66      | 0.35  | 15,368.15    | 0.50  |
| PT Bonus Allocated             | 0.00          | 0.00  | 0.00         | 0.00  |
| Charitable Contributions       | 0.00          | 0.00  | 0.00         | 0.00  |
| Depreciation                   | 2,603.20      | 0.86  | 32,189.59    | 1.05  |

For Management Purposes Only

0102

Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

|                           | Current Month  |         | Year to Date |        |
|---------------------------|----------------|---------|--------------|--------|
| Ancillary Bonus Allocated | 0.00           | 0.00    | (52,179.90)  | (1.70) |
| Ancillary Bonus Allocated | 0.00           | 0.00    | 52,179.90    | 1.70   |
| Total Expenses            | 401,125.28     | 132.83  | 2,976,384.12 | 96.94  |
| Net Income                | \$ (99,133.62) | (32.83) | \$ 93,868.25 | 3.06   |

For Management Purposes Only

0103



*Royce A. Belcher* Certified Public Accountant

420 West Main Street • Lebanon, Tennessee 37087 • 615/444-1149 • Fax 615/444-6626

To the Board of Directors  
Tennessee Orthopedics PC  
Lebanon, Tennessee

We have compiled the accompanying statement of assets, liabilities, and equity-cash basis of Tennessee Orthopedics, PC. (an S corporation) as of March 31, 2016, the related statements of revenues and expenses-cash basis for the three months ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Royce A. Belcher, CPA*

May 11, 2016

**Tennessee Orthopedics, PC**  
**Balance Sheet**  
As of March 31, 2016

|  | Mar 31, 16        |
|--|-------------------|
| <b>ASSETS</b>                          |                   |
| <b>Current Assets</b>                  |                   |
| <b>Checking/Savings</b>                |                   |
| 1000 · Checking - First TN             | 74,820.86         |
| 1100 · Checking - WB&T                 | 49,839.15         |
| 1111 · Checking - Pinnacle             | 2,445.39          |
| 1200 · RMA Escrow Account              | 19,854.80         |
| <b>Total Checking/Savings</b>          | 146,960.20        |
| <b>Other Current Assets</b>            |                   |
| 1900 · Employee Loan                   | -8,644.01         |
| <b>Total Other Current Assets</b>      | -8,644.01         |
| <b>Total Current Assets</b>            | 138,316.19        |
| <b>Fixed Assets</b>                    |                   |
| 2100 · Medical Equipment - ANC         | 528,882.40        |
| 2101 · Medical Equipment - Gallatin    | 28,480.21         |
| 2102 · Medical Equipment - IRG         | 175,743.40        |
| 2150 · Leasehold Improvements          | 31,698.84         |
| 2200 · Medical Equipment               | 137,404.30        |
| 2300 · Office Equipment                | 343,716.34        |
| 2400 · Furniture & Fixtures            | 78,477.59         |
| 2500 · Accumulated Depreciation - ANC  | -528,882.00       |
| 2550 · Accumulated Depreciation - IRG  | -175,744.00       |
| 2600 · Accumulated Depreciation        | -506,512.98       |
| <b>Total Fixed Assets</b>              | 113,264.10        |
| <b>TOTAL ASSETS</b>                    | <b>251,580.29</b> |
| <b>LIABILITIES &amp; EQUITY</b>        |                   |
| <b>Liabilities</b>                     |                   |
| <b>Current Liabilities</b>             |                   |
| <b>Accounts Payable</b>                |                   |
| 20000 · Accounts Payable               | 67,212.12         |
| <b>Total Accounts Payable</b>          | 67,212.12         |
| <b>Credit Cards</b>                    |                   |
| 20001 · American Express               | 7,347.76          |
| <b>Total Credit Cards</b>              | 7,347.76          |
| <b>Other Current Liabilities</b>       |                   |
| 3200 · Payroll Liabilities             | 838.29            |
| 3400 · Shareholder Loan                | 1,350.00          |
| <b>Total Other Current Liabilities</b> | 2,188.29          |
| <b>Total Current Liabilities</b>       | 76,748.17         |
| <b>Long Term Liabilities</b>           |                   |
| 4200 · Line of Credit - Pinnacle       | 113,692.07        |
| <b>Total Long Term Liabilities</b>     | 113,692.07        |
| <b>Total Liabilities</b>               | 190,440.24        |
| <b>Equity</b>                          |                   |
| 5400 · Opening Balance Equity          | 21,862.33         |
| 5500 · Retained Earnings               | -18,002.69        |
| 5525 · Common Stock                    | 8,000.00          |
| Net Income                             | 49,280.41         |
| <b>Total Equity</b>                    | 61,140.05         |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>  | <b>251,580.29</b> |

**Tennessee Orthopedics, PC**  
**Profit & Loss**  
January through March 2016

|                                      | Jan - Mar 16 |
|--------------------------------------|--------------|
| <b>Income</b>                        |              |
| 6000 · Fees                          | 755,746.44   |
| 6100 · Other Income                  | 0.00         |
| 6300 · Rental Income                 | 3,300.00     |
| <b>Total Income</b>                  | 759,046.44   |
| <b>Gross Profit</b>                  | 759,046.44   |
| <b>Expense</b>                       |              |
| 7025 · Accounting Fees               | 7,198.00     |
| 7100 · Bank Service Charge           | 15.00        |
| 7200 · Billing & Collections         | 35,329.69    |
| 7250 · Computer Repair Services      | 1,092.51     |
| 7300 · Continuing Education - CME    | 695.70       |
| 7350 · Contract Labor                | 138,318.67   |
| 7375 · Credit Card Fees              | 1,501.60     |
| 7400 · Dues & Subscriptions          | 834.00       |
| 7450 · Equipment Leases              | 30,059.34    |
| 7500 · Flowers & Gifts               | 91.10        |
| 7550 · Housekeeping/Maintenance      | 9,814.36     |
| 7575 · Insurance - GL                | 4,097.33     |
| 7600 · Insurance - Staff             | 1,320.91     |
| 7625 · Insurance - WC                | 659.00       |
| 7650 · Interest Expense              | 1,542.58     |
| 7700 · Laundry                       | 267.81       |
| 7725 · Legal Fees                    | 12,842.11    |
| 7800 · Marketing                     | 1,340.63     |
| 7825 · Meals & Entertainment         | 711.11       |
| 7850 · Medical Waste                 | 1,157.82     |
| 7860 · Office Expense                | 1,347.00     |
| 7865 · Office Relocation             | 5,157.09     |
| 7875 · Payroll Fees                  | 622.34       |
| 7900 · Payroll - Staff Compensation  | 260,290.18   |
| 8100 · Postage & Delivery            | 285.23       |
| 8200 · Printing & Reproduction       | 1,799.11     |
| 8250 · Rent                          | 50,224.87    |
| 8300 · Repairs                       | 3,440.80     |
| 8350 · Service Contract - Equipment  | 220.25       |
| 8400 · Supplies - Drugs & Injections | 14,044.74    |
| 8450 · Supplies - Medical            | 17,577.43    |
| 8475 · Supplies - Office             | 3,903.70     |
| 8500 · Supplies - Other              | 169.27       |
| 8600 · Taxes - Property              | 477.00       |
| 8650 · Taxes - Staff Payroll         | 24,378.52    |
| 8700 · Telephone/Internet/TV         | 9,449.87     |
| 8850 · Travel - CME                  | 1,894.00     |
| 8855 · Travel - Mileage              | 447.15       |
| 8875 · Uniforms                      | 430.77       |
| 8900 · Utilities                     | 11,609.29    |
| 9010 · Disability Ins - Staff        | 704.99       |
| 9030 · Disability Ins - Physician    | 1,494.21     |
| 9050 · Health Ins - Physician        | 4,283.30     |
| 9150 · Payroll - Production Bonus    | 46,625.65    |
| <b>Total Expense</b>                 | 709,766.03   |
| <b>Net Income</b>                    | 49,280.41    |

Attachment C, Contribution to Orderly Development-3  
(Comparison of Prevailing Wage Patterns)

**COMPARISON OF APPLICANT'S PROPOSED WAGE RATE  
TO PREVAILING WAGE PATTERNS**

| Job Title             | Applicant Proposed Hourly Wage <sup>1</sup> | US Bureau Labor Statistics-TN Prevailing Hourly Rate <sup>2</sup> | TN Dept. Labor & Workforce Development Prevailing Hourly Rate <sup>3</sup> |
|-----------------------|---|---|--|
| Registered Nurse      | \$30.68                                     | \$27.33   | \$24.73  |
| Surgical Technologist | \$19.24                                     | \$18.33   | \$18.01  |
| Administrative Staff  | \$23.41                                     | \$16.76   | \$18.07  |
| Site Administrator    | \$55.00                                     | \$38.51   | \$37.86  |
| Outsourced Manager    | \$60,000 annually                           | N/A, management fee is contractually negotiated                   | N/A, management fee is contractually negotiated                            |

<sup>1</sup> Applicant's proposed wage structure is based upon the prevailing wages in the Southeastern United States, as identified in the 2012 Intellimarker Benchmarking Study for Multi-Specialty ASCs (7<sup>th</sup> ed.), published by VMG Health and referred to as the Ambulatory Surgical Centers Financial and Operational Benchmarking Study. VMG is a leader in ASC valuation, and the 2012 Multi-Specialty ASC Intellimarker benchmarking study is based on an analysis of over 201 freestanding ASCs and one million ASC cases.

<sup>2</sup> Tennessee-Bureau of Labor Statistics, "May 2015 State Occupational Employment and Wage Estimates-Tennessee," [www.bls.gov/oes/current/oes\\_tn.htm](http://www.bls.gov/oes/current/oes_tn.htm).

<sup>3</sup> Tennessee Department of Labor and Workforce Development, Wage Data for Occupations, Occupational Data, Occupational Employment and Wages (OES), 2014, [www.jobs4tn.gov](http://www.jobs4tn.gov) (select "Occupation Data" under "Labor Market Information" tab, and then "Employment and Wage Data.")





## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364 Fax: 615-741-9884

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June 1, 2016

Christi Griffin, Esq.  
Griffin Law Office  
113 E. Main Street  
Lebanon, TN 37087

RE: Certificate of Need Application -- Tennessee Orthopedics, P.C. - CN1605-019  
The establishment of multi-specialty ambulatory surgical treatment center (ASTC) to be located in leased space at 101 Physicians Way, Lebanon (Wilson County), TN 37090. The ASTC will include three operating rooms and one procedure room. The estimated project cost is \$2,726,676.

Dear Ms. Griffin:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is [Trent.Sansing@tn.gov](mailto:Trent.Sansing@tn.gov) or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on June 1, 2016. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on August 24, 2016.

Ms. Griffin  
June 1, 2016  
Page 2

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Melanie M. Hill" followed by a stylized monogram "MF".

Melanie M. Hill  
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

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#### MEMORANDUM

TO: Trent Sansing, CON Director  
Office of Policy, Planning and Assessment  
Division of Health Statistics  
Andrew Johnson Tower, 2nd Floor  
710 James Robertson Parkway  
Nashville, Tennessee 37243

FROM: Melanie M. Hill *MMH/MF*  
Executive Director

DATE: June 1, 2016

RE: Certificate of Need Application  
Tennessee Orthopedics, P.C. - CN1605-019

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on June 1, 2016 and end on August 1, 2016.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Christi Griffin, Esq.



**State of Tennessee  
Health Services and Development Agency**

Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

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**LETTER OF INTENT**

The Publication of Intent is to be published in the Lebanon Democrat which is a newspaper  
(Name of Newspaper)  
of general circulation in Wilson County, Tennessee, on or before May 10, 2016,  
(County) (Month / day) (Year)  
for one day.

-----  
This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Tennessee Orthopedics, P.C.  
(Name of Applicant)

Professional Private Practice  
(Facility Type-Existing)

owned by: Roy C. Terry, M.D. with an ownership type of Professional Corporation

and to be managed by: Custom Surgical Consultants, L.L.C. intends to file an application for a Certificate of Need for: Establishment of a multi-specialty ambulatory surgical treatment center to be located in leased space at 101 Physicians Way, Lebanon, TN 37090. The ASTC will include three operating rooms and one procedure room, and will be managed by Custom Surgical Consultants, L.L.C. No beds or major medical equipment will be involved. Total Estimated Project Cost is \$2,726,676.

The anticipated date of filing the application is: May 13, 2016

The contact person for this project is Christi D. Griffin, Esq. Counsel to Applicant  
(Contact Name) (Title)

who may be reached at: Griffin Law Office 113 E. Main Street  
(Company Name) (Address)

Lebanon, TN 37087 (615) 668-0462  
(City) (State) (Zip Code) (Area Code / Phone Number)

Christi D. Griffin 5/10/16 christi@griffinlawtn.com  
(Signature) (Date) (E-mail Address)

-----  
The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# Supplemental #1 -Original-

TN Orthopedics PC

CN1605-019



# GRIFFIN LAW OFFICE

**SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

May 24, 2016

Reply to: Christi D. Griffin, Esq.  
[christi.griffin@griffinlawtn.com](mailto:christi.griffin@griffinlawtn.com)

**HAND-DELIVERY**

Mr. Mark Farber  
Deputy Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
500 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1605-019  
Tennessee Orthopedics, P.C. – Establishment of Multi-Specialty ASTC  
**Applicant's Response to Request for Supplemental Information**

Dear Mr. Farber,

Please accept this filing as the response to your May 17, 2016 request for supplemental information on the above-captioned CON application filed by Tennessee Orthopedics, P.C. The signed and notarized affidavit supporting this response to request for supplemental information follows this cover letter, followed by the response to each supplemental question. Please do not hesitate to contact me should you have questions or require additional information.

Sincerely,

  
Christi D. Griffin

**May 24, 2016**

**12:48 pm**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF Wilson

NAME OF FACILITY: Tennessee Orthopedics, PC

I, Roy C. Terry, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

RCT  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 23<sup>rd</sup> day of May, 2016, witness my hand at office in the County of Wilson, State of Tennessee.

Kimberly C. White  
NOTARY PUBLIC

My commission expires May 22, 2017.

HF-0043

Revised 7/02



**May 24, 2016**

**12:48 pm**

1. Section A, Applicant Profile, Item 5

*The non-binding letter of intent with Custom Surgical Consultants is noted. What are the expected annual management fees, the method of calculating these fees, and the expected term of the agreement?*

RESPONSE:

Please find attached a letter of clarification from Tina DiMarino, COO, Custom Surgical Consultants stating their expected annual management fees and the method of calculating said fees. The expected term of the agreement is three (3) years.

**[Attachment 1]**



**May 24, 2016**

**12:48 pm**

2. Section A, Applicant Profile, Item 6

*Please provide a deed or similar item documenting Phoenix Medical Office Building LLC's ownership of the space for the ASTC.*

RESPONSE:

Please find attached a notarized copy of the Quit Claim Deed dated June 4, 2015, conveying ownership from Roy C. Terry, MD to Phoenix Medical Office Building, LLC. The ASTC will be leasing space from Phoenix Medical Office Building, LLC.

[Attachment 2]

**3. Section B, (Project Description) Item 1**

- A) *Will there be an entrance to the ASTC that is separate from the medical practice?*
- B) *Please explain why the legal entity that will eventually own the ASTC is not being created at this time?*
- C) *Have the surgeons representing the additional specialties proposed for the ASTC expressed an interest in performing surgeries at the proposed ASTC? If yes, please provide documentation of this interest.*
- D) *Please describe the types of surgery that are expected to take place for each type of specialty represented by the surgeons using the facility. Approximately how many patients will be in recovery for the full 23 hours and for what types of procedures would this length of recovery be anticipated.*
- E) *What type of surgeries will take place in the operating rooms and what types of procedures will take place in the procedure rooms?*
- F) *Please identify which hospitals that the surgeons expecting to use the ASTC have admitting privileges. Will all the surgeons expected to utilize the facility be able to follow their patients in the case of an emergency transfer?*

**A) RESPONSE:**

Yes. As shown on the attached copy of the floor plans for the ASTC and the overall building plan, the ASTC has its own entrance from a common vestibule. There are two entrances into the vestibule, both of which are covered and may be used for patient drop-off and pick-up. There is no comingling of ASTC patients or visitors with patients receiving non-ASTC services in the medical office building.

**[Attachment 3]**

**May 24, 2016****12:48 pm****B) RESPONSE:**

It is more efficient from a financial and operational perspective to create a separate legal entity that is also eligible for Medicare certification upon the approval of the CON. The ASTC licensure rules permit Applicant to be the owner of an ASTC provided that all licensure rules and requirements are satisfied. Therefore, from an overall efficiency standpoint Applicant is initially seeking the CON, and will create a separate legal entity that is also eligible for Medicare certification and file a change of ownership upon approval of the CON.

**C) RESPONSE:**

Yes. As stated in the CON Application, thirteen surgeons not affiliated with the Applicant, including dentists, have provided verbal support for Applicant's ASTC as described in the Application. Letters of support from supporting surgeons and dentists are attached. Additional letters are expected, but there is a reticence at this time due to concerns for existing relationships if this Application is not approved.

**[Attachment 4]****D) RESPONSE:**

The following are a list of surgeries, by specialty, of most commonly performed procedures at ambulatory surgery centers. Those specialties represented are: Otolaryngology (Ear, Nose, and Throat), General Surgery, Gynecology, Orthopedics, Plastic Surgery, Podiatry, and Dentistry. We anticipate that this will be a partial list of the procedures that will be performed at this multi-specialty ASTC:

**Otolaryngology (Ears, Nose, and Throat)**

- Adenoidectomy
- Balloon Sinuplasty
- Ear Tube Placement
- Inner Ear Surgery
- Laryngoscopy
- Lymph Node Biopsy / Excision
- Nose Fracture Repair
- Septoplasty
- Sinus Surgery

**General Surgery**

- Anorectal Surgery
- Biopsy/Excision of Lymph Node
- Breast Surgery
- Excision of cyst, lesion, mass, tumor, etc.
- Hemorrhoidectomy
- Laparoscopic cholecystectomy (gallbladder removal)
- Laparoscopic Hernia Repair
- Open Hernia Repair
- Port Placement
- Temporal Artery Biopsy

**Gynecology**

- D&C
- Endometrial Ablation
- Bladder Sling

**Orthopedics**

- Carpal Tunnel Release
- Debridement
- Fracture Repair
- Ganglion Cyst Removal
- Elbow Arthroscopy
- Fluoroscopy Injections
- Implant Removal
- Knee Arthroscopy
- Shoulder Arthroscopy
- Tendon Repair
- Total Joint Aspiration
- Trigger Finger Release

**Plastic Surgery**

- Blepharoplasty
- Breast Surgery
- Carpal Tunnel Release
- Excision of cyst, lesion, mass, tumor, etc.
- Ganglion Cyst Removal
- Ptosis Repair
- Trigger Finger Release

**Podiatry**

- Ankle Repair
- Bunionectomy
- Hammertoe Correction

**Dentistry**

- Full Mouth Dental Rehabilitation
- 3<sup>rd</sup> Molar Extractions
- Dental Implants
- Bone Grafts/Sinus Lift

We anticipate initially that 1 – 2 patients per week will be candidates for 23-hour recovery. The primary specialty that will use these rooms the most is plastic surgery since many of these patient's need to have closer monitoring for swelling in the hours immediately following their surgical procedure. Some of the other types of procedures that we anticipate will utilize 23-hour recovery are:

- Partial Knee Replacement
- Rotator Cuff Repair
- Post-Operative Pain Issues
- Intractable Nausea

**E) RESPONSE:**

Surgeries, which require general and/or monitored anesthesia care, will take place in the Operating Rooms. Surgeries that require local and/or intravenous sedation, will take place in the Procedure Room.

**F) RESPONSE:**

The surgeons who are expected to initially utilize the ASTC have hospital privileges as follows:

- |                                     |                                    |
|-------------------------------------|------------------------------------|
| • Tennova Healthcare-Lebanon        | 10 providers (includes 2 dentists) |
| • TriStar Summit Medical Center     | 7 providers (includes 1 dentist)   |
| • Sumner Regional Medical Center    | 3 providers                        |
| • Riverview Regional Medical Center | 2 providers                        |
| • Macon County General Hospital     | 1 provider                         |
| • TriStar Stonecrest Medical Center | 1 provider                         |
| • Trousdale Medical Center          | 1 provider                         |

The hospitals most likely to receive emergency transfers are Tennova and TriStar Summit. In the clear majority of cases requiring an emergency transfer, the surgeon making the transfer will

**May 24, 2016**

**12:48 pm**

be able to follow the patient in the hospital. Unless the condition necessitating the emergency transfer is dental, the dentists will transfer the hospital care to a physician qualified to address the patient's emergency condition.

**4. Section C, Need Item 1(Specific Criteria -ASTC) Item 2.**

A) *What is the capacity in hours of the operating rooms and procedure rooms?*

B) *The first row under **Specialty** is labeled "Procedure Rm". Please explain*

A) RESPONSE:

The ASTC will operate 8 hours per day, 5 days per week, for 50 weeks per year.

**Methodology:**

8 hours per day

5 days per week

50 weeks per year

*times the number of rooms*

**Operating Room Capacity:** 6,000 hours per year

$8 \times 5 \times 50 = 2,000$  hours/operating room per year

$2,000 \times 3$  Operating Rooms = 6,000 hours for 3 Operating Rooms per year

**Procedure Room Capacity:** 2,000 hours per year

$8 \times 5 \times 50 = 2,000$  hours/procedure room per year

B) RESPONSE:

The projected Procedure Room utilization is calculated based on all anticipated non-surgical procedures without breaking the procedures out by specialty. Thus, the term "Procedure Rm" refers to all non-surgical procedures expected to be performed in the Procedure Room. The projections are based on Tennessee Orthopedics historical procedure room utilization without taking into consideration utilization by other specialists. The table that appears in the original CON Application at Attachment C, Need-1(a) - ASTC Standards and Criteria, has been revised to segregate surgical and non-surgical (e.g., Procedure Room) cases, and is pasted immediately below.

**May 24, 2016****12:48 pm****Projected Operating Room Hours by Specialty****Year 1 (2018)**

| <b>Specialty</b> | <b>Case Volume by Specialty</b> | <b>Minutes Projected per Case</b> | <b>Total Surgeon Time in Minutes</b> | <b>Total Surgeon Time in Hours</b> | <b>Total Turnover/Prep Time in Minutes</b> | <b>Total Turnover/Prep Time in Hours</b> | <b>Total Surgeon and Turnover/Prep Time in Hours</b> |
|------------------|---------------------------------|-----------------------------------|--------------------------------------|------------------------------------|--|--|--|
| Podiatry         | 100                             | 60                                | 6,000                                | 100                                | 1,000                                      | 17                                       | 117  |
| GYN              | 100                             | 60                                | 6,000                                | 100                                | 1,000                                      | 17                                       | 117  |
| ENT              | 100                             | 60                                | 6,000                                | 100                                | 1,000                                      | 17                                       | 117  |
| Plastic          | 200                             | 60                                | 12,000                               | 200                                | 2,000                                      | 33                                       | 233  |
| General Surgery  | 300                             | 60                                | 18,000                               | 300                                | 3,000                                      | 50                                       | 350  |
| Dental           | 500                             | 60                                | 30,000                               | 500                                | 5,000                                      | 83                                       | 583  |
| Ortho            | 1,587                           | 75                                | 119,025                              | 1,984                              | 15,587                                     | 260                                      | 2,244  |
| <b>Total</b>     | <b>2,887</b>                    | <b>435</b>                        | <b>197,025</b>                       | <b>3,284</b>                       | <b>28,587</b>                              | <b>476</b>                               | <b>3,761</b>   |

**Total Projected Procedure Room Hours****Year 1 (2018)**

| <b>Procedure Room</b> | <b>Case Volume by Procedure Room</b> | <b>Minutes Projected per Case</b> | <b>Total Surgeon Time in Minutes</b> | <b>Total Surgeon Time in Hours</b> | <b>Total Turnover/Prep Time in Minutes</b> | <b>Total Turnover/Prep Time in Hours</b> | <b>Total Surgeon and Turnover/Prep Time in Hours</b> |
|-----------------------|--------------------------------------|-----------------------------------|--------------------------------------|------------------------------------|--|--|--|
| Procedure Room        | 3,649                                | 45                                | 164,205                              | 2,737                              | 36,490                                     | 608                                      | 3,345  |
| <b>Total</b>          | <b>3,649</b>                         | <b>45</b>                         | <b>164,205</b>                       | <b>2,737</b>                       | <b>36,490</b>                              | <b>608</b>                               | <b>3,345</b>   |



**May 24, 2016****12:48 pm****Projected Operating Room Hours by Specialty****Year 2 (2019)**

| <b>Specialty</b> | <b>Case Volume by Specialty</b> | <b>Minutes Projected per Case</b> | <b>Total Surgeon Time in Minutes</b> | <b>Total Surgeon Time in Hours</b> | <b>Total Turnover/Prep Time in Minutes</b> | <b>Total Turnover/Prep Time in Hours</b> | <b>Total Surgeon and Turnover/Prep Time in Hours</b> |
|------------------|---------------------------------|-----------------------------------|--------------------------------------|------------------------------------|--|--|--|
| Podiatry         | 110                             | 60                                | 6,600                                | 110                                | 1,100                                      | 18                                       | 128  |
| GYN              | 110                             | 60                                | 6,600                                | 110                                | 1,100                                      | 18                                       | 128  |
| ENT              | 110                             | 60                                | 6,600                                | 110                                | 1,100                                      | 18                                       | 128  |
| Plastic          | 220                             | 60                                | 13,200                               | 220                                | 2,200                                      | 37                                       | 257  |
| General Surg     | 330                             | 60                                | 19,800                               | 330                                | 3,300                                      | 55                                       | 385  |
| Dental           | 550                             | 60                                | 33,000                               | 550                                | 5,500                                      | 92                                       | 642  |
| Ortho            | 1,746                           | 75                                | 130,928                              | 2,182                              | 17,457                                     | 291                                      | 2,473  |
| <b>Total</b>     | <b>3,176</b>                    | <b>435</b>                        | <b>216,728</b>                       | <b>3,612</b>                       | <b>31,757</b>                              | <b>530</b>                               | <b>4,142</b>   |

**Total Projected Procedure Room Hours****Year 2 (2019)**

| <b>Procedure Room</b> | <b>Case Volume by Procedure Room</b> | <b>Minutes Projected per Case</b> | <b>Total Surgeon Time in Minutes</b> | <b>Total Surgeon Time in Hours</b> | <b>Total Turnover/Prep Time in Minutes</b> | <b>Total Turnover/Prep Time in Hours</b> | <b>Total Surgeon and Turnover/Prep Time in Hours</b> |
|-----------------------|--------------------------------------|-----------------------------------|--------------------------------------|------------------------------------|--|--|--|
| Procedure Rm          | 4,014                                | 45                                | 180,630                              | 3,011                              | 40,140                                     | 669                                      | 3,680  |
| <b>Total</b>          | <b>4,014</b>                         | <b>45</b>                         | <b>180,630</b>                       | <b>3,011</b>                       | <b>40,140</b>                              | <b>669</b>                               | <b>3,680</b>   |

In our original filing we projected only 50% of Tennessee Orthopedics procedure case from 2015-2016 utilization data; new charting reflects 100%.

## **SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

Source: Becker's ASC Review, "100 Surgery Center Benchmarks and Statistics to Know," 10/27/13, <http://www.beckersasc.com/lists/100-surgery-center-benchmarks-statistics-to-know.html>, accessed May 8, 2016.

**5. Section C, Need Item 1(Specific Criteria -ASTC) Item 4.**

*A) Since the Providence Surgery Center performs orthopedic surgeries, please discuss the impact the proposed project will have on this ASTC.*

*B) Does the applicant expect to perform endoscopy and/or ophthalmology procedures at some point in the future?*

**A) RESPONSE:**

We do not expect the proposed project to impact the Providence Surgery Center. Providence Surgery Center is a "dual-specialty" ASTC providing only orthopedic and pain management services. Of the three orthopedic surgeons who will be seek privileges at Applicant's proposed ASTC, only Dr. Terry is currently privileged at the Providence Surgery Center. However, as stated in the CON Application, Providence Surgery Center is not convenient for Dr. Terry or his patients, and he performed less than 5 surgeries at that site in 2015. None of the other surgeons expressing interest in the proposed ASTC are eligible to perform surgeries at the Providence Surgery Center. Therefore, the proposed project will not impact on the Providence Surgery Center.

**B) RESPONSE:**

There are no current plans to offer privileges to either of these specialties and there are no surgeons in these specialties who have expressed an interest in performing these surgical procedures.

**6. Section C, Need Item 1(Specific Criteria –ASTC) Item 8**

*A) According to the patient origin data provided, almost 13% of the practice's patients reside in Sumner County. Please explain why Sumner County was not included in the applicant's proposed service area.*

*B) The table showing patient outmigration is noted. It appears that over 50% of proposed service area residents are currently using four ASTCs: Summit Surgery Center, Baptist Plaza Surgicare, and Centennial Surgery Center in Davidson County and Patient Partners in Sumner County. Please discuss the expected impact of the proposed project on these and other surgery centers in the surrounding area including the Providence Surgery Center.*

**A) RESPONSE:**

The CON Standards and Criteria for ASTCs define the primary service area as those areas comprising 51% of a provider's patients. Based on Tennessee Orthopedics' ambulatory surgery utilization May 2015 – April 2016 (the only data we have available), Wilson and Smith Counties comprise more than 51%. We included Macon County because it was the third highest county, and Trousdale County because it is centrally located in the middle of the three (3) largest counties. Sumner County comes in fourth place and therefore we did not include this in our primary service area.

**B) RESPONSE:**

We have not identified data reporting patient outmigration from the surgical and dental practices that have expressed interest in utilizing the proposed ASTC to the five (5) ASTCs referenced in this question. Because the surgeons and dentists who have expressed an interest are "utilizers" of the proposed ASTC, and not "owners," these surgeons have not been asked to compile or disclose confidential information related to the patient origin for their practices and the surgeons'/dentists' facility utilization. To the best of Applicant's knowledge, following a review of the letters of support that have been provided and publicly available information, none of the surgeons or dentists have privileges at Baptist Plaza Surgicare, Centennial Surgery Center or Summit Surgery Center. Only one surgeon (Dr. Terry) has privileges at Patient Partners and Providence Surgery Center. Therefore, the proposed ASTC will have minimal impact on these facilities, each of which is located outside of Applicant's primary service area.

**May 24, 2016****12:48 pm****7. Section C, Need Item 3**

*Please identify, any, counties that account for more patients than Troup County. If any, identify the percentage those patients represent for the total practice patients.*

RESPONSE:

Please see Applicant's ambulatory surgery patient origin table below. This table was originally included in the CON Application in Attachment C, Need-1(a)-ASTC Standards and Criteria.

| County     | %      | County     | %     | County       | %    |
|------------|--------|------------|-------|--------------|------|
| Wilson     | 35.40% | Davidson   | 1.21% | Hickman      | .15% |
| Smith      | 20.57% | Cumberland | .61%  | Madison      | .15% |
| Macon      | 15.28% | Jackson    | .45%  | Rhea         | .15% |
| Troup      | 5.30%  | Clay       | .30%  | Warren       | .15% |
| Sumner     | 12.86% | Fentress   | .30%  | White        | .15% |
| Putnam     | 1.97%  | Robertson  | .30%  | Out of State | .91% |
| DeKalb     | 1.51%  | Williamson | .30%  | Unknown      | .45% |
| Rutherford | 1.36%  | Cannon     | .15%  |              |      |
|            |        |            |       | TOTAL        | 100% |

**8. Section C, Need Item 5**

*A) For each of the surgeons expected to utilize the proposed surgery center please identify for 2015 the locations where surgeries were performed and the number of surgical cases at each facility.*

*B) Please also provide similar information for the mid-level providers expected to perform procedures in the procedure room.*

*C) Please explain how 10% increase was selected for the growth between Year 1 and 2.*

*D) Please identify where in the Hospital Joint Annual Reports there is patient origin data for surgical cases.*

A) RESPONSE:

Please see response to Question 6(B) in the Supplemental Request for Information.

B) RESPONSE:

Applicant's midlevel practitioners perform currently less than 10% of their procedures outside of the Tennessee Orthopedics Lebanon clinic. All the remaining cases are referred to Dr. Roy Terry. Mid-level provider procedure utilization of the unaffiliated surgeons who are expected to utilize the ASTC have not been taken into consideration, as this information is not currently known.

**May 24, 2016****12:48 pm****C) RESPONSE:**

We selected a 10% growth rate based on the following factors:

- There will be an increase in patients due to the fact that we are in a new facility with a better location, immediately off of I-40.
- There will be an increase in patients due to new referral relationships that will be developed with the 2 new Orthopedic Surgeons joining the Tennessee Orthopedics practice in the summer of 2016.
- There is projected to be an annual 2.155% increase in area population between now and 2018/2019, therefore all surgeons utilizing the ASTC will experience this growth in their individual practices.
- We feel that this more than account for the conservative 10% increase projected.

**D) RESPONSE:**

The CON referenced hospital outmigration from Wilson County. The Hospital JAR shows patient origin for all hospital services, but does not report surgery separately. The Hospital outmigration reported in the CON is for all-hospital services, and therefore serves as a reasonable measure for ambulatory surgical outmigration.

**9. Section C, Need Item 6**

*A) Please provide the position name of the mid-level providers, e.g., nurse practitioner, physician assistant, etc., and the types of procedures being performed in procedure rooms.*

*B) Please provide surgical case projections by specialty using the table below:*

**A) RESPONSE:**

Tennessee Orthopedics currently employs one Nurse Practitioner and one Physician Assistant and anticipates employing two additional Physician Assistants when the two newly contracted orthopedic surgeons join the practice on or before 9/1/2016. The proposed ASTC projections do not contemplate non-employee midlevel practitioners performing procedures in the ASTC procedure room. It is anticipated that the following procedures will be performed by the Tennessee Orthopedics midlevel practitioners in the ASTC procedure room:

- Set Fractures
- Abscess I and D
- Laceration Repair
- Wound Debridement
- Ultrasound Guided Injection
- Fluoroscopy Guided Injections
- Lesion Removal
- Ingrown Toenail Removal
- Cyst Excision or Aspiration
- Foreign Body Removal



**May 24, 2016****12:48 pm**

B) RESPONSE:

**Projections by OR/PR by Specialty**

| Specialty       | # of Surgeons | Year 1 OR Cases | Year 1 PR Cases | Year 2 OR Cases | Year 2 PR Cases |
|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Orthopedics     | 3             | 1,587           | 3,649           | 1,746           | 4,014           |
| General Surgery | 3             | 300             |                 | 330             |                 |
| ENT             | 1             | 100             |                 | 110             |                 |
| Podiatry        | 1             | 100             |                 | 110             |                 |
| GYN             | 1             | 100             |                 | 110             |                 |
| Plastic Surgery | 2             | 200             |                 | 220             |                 |
| Dental          | 5             | 500             |                 | 550             |                 |
| <b>Total</b>    | <b>16</b>     | <b>2,887</b>    | <b>3,649</b>    | <b>3,176</b>    | <b>4,014</b>    |

**10. Section C. Economic Feasibility Item 1(Project Cost Chart)**

*A) What is the fair market value of the space being designated for the ASTC and how does this compare to the calculated lease expense?*

*B) The letter from Evergreen Construction is noted. Please ask Evergreen Construction to submit a revised letter that addresses the following items:*

*1) a general description of the project*

*2) his/her estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and*

*3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the latest AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.*

**A) RESPONSE:**

The fair market value of the space being designated for the ASTC has been determined as follows:

- 100 Physicians Way, Lebanon, TN 37090 was built in 2008. It is directly across the street from the proposed ASTC. It currently has space for lease at \$19.00/sq ft annually.
- 103 Physicians Way, Lebanon, TN 37090 was built in 2013. It is directly behind the proposed ASTC. It currently has space for lease at \$19.00/sq ft annually.
- 1420 Baddour Parkway, Lebanon, TN 37087 was built in 2000. It is next to Tennova Healthcare – Lebanon (University Medical Center). It is located approximately 5 miles from the proposed ASTC. It currently has space for lease at \$18.50/sq ft annually.
- The leased space in which the ASTC will be located was built in 2016. The proposed ASTC has signed a lease agreement to lease the space for \$20.00/sq ft annually beginning in the year 2018. It is felt that this is definitely within fair market value for 2018 based on the current comparison of like space in the immediate geographical area.

**A) RESPONSE:**

See attached.

**[Attachment 5]**

**May 24, 2016**

**12:48 pm**

**11. Section C. Economic Feasibility Item 2 Funding**

*The letter from Citizens bank includes a loan amount of approximately \$2,400,000. Since the project cost totals \$2,726,676, please discuss the source of funds for the additional \$300,000+.*

RESPONSE: See attached.

**[Attachment 6]**

**May 24, 2016**

**12:48 pm**

**12. Section C. Economic Feasibility Item 4 (Projected Data Chart)**

*A) For Line A. Utilization Data please replace the “#OR/PR Cases” entry with the actual number of cases projected for Years 2018 and 2019.*

*B) Please complete the following chart for Line D.9.-Other Expenses:*

A) RESPONSE: See attached.

**[Attachment 7]**

**May 24, 2016****12:48 pm**

B) RESPONSE:

**PROJECTED DATA CHART-OTHER EXPENSES**

| <b>OTHER EXPENSES</b> |  |                     |  |                     |
|-----------------------|--|---------------------|--|---------------------|
|                       |  | <b>2018</b>         |  | <b>2019</b>         |
| TV SERVICE            |  | \$ 740.00           |  | \$ 740.00           |
| INSURANCE             |  | \$ 27,000.00        |  | \$ 28,000.00        |
| MED. WASTE            |  | \$ 3,000.00         |  | \$ 3,500.00         |
| BANKS, ETC.           |  | \$ 13,266.00        |  | \$ 13,266.00        |
| PROF. SERVICES        |  | \$ 5,000.00         |  | \$ 6,000.00         |
| SERVICE AGREEMENTS    |  | \$ 5,000.00         |  | \$ 5,000.00         |
| REPAIRS               |  | \$ 4,000.00         |  | \$ 4,000.00         |
| TRAVEL/ENT/MEALS      |  | \$ 1,000.00         |  | \$ 1,000.00         |
| UTILITIES             |  | \$ 15,000.00        |  | \$ 17,000.00        |
| BILLING               |  | \$377,758.00        |  | \$415,534.00        |
| LINEN SERVICES        |  | \$ 12,360.00        |  | \$ 13,596.00        |
| TELEPHONE             |  | \$ 2,043.00         |  | \$ 2,043.00         |
| OFFICE SUPPLIES       |  | \$ 3,500.00         |  | \$ 4,000.00         |
| MISC. OTHER           |  | \$ 14,367.00        |  | \$ 14,367.00        |
| <b>TOTAL</b>          |  | <b>\$484,034.00</b> |  | <b>\$528,046.00</b> |

**May 24, 2016**

**12:48 pm**

**13. Section C. Economic Feasibility Item 10**

*Regarding Tennessee Orthopedics 2015 Balance Sheet, please explain how there can be no current liabilities.*

RESPONSE: See attached.

**[Attachment 8]**

**May 24, 2016**

**12:48 pm**

**14. Section C. Contribution to Orderly Development Item 1**

*Have either Tennova Healthcare-Lebanon or Summit Medical Center expressed an interest in the development of a transfer agreement if the proposed project is approved?*

RESPONSE:

No discussions have taken place. It is expected the hospitals will enter into a transfer agreement and is in the best interest of the patients.

**May 24, 2016****12:48 pm****15. Equipment Registry**

*Please update Tennessee Orthopedics P.C.'s medical equipment registration and submit 2015 utilization by payor source and 2015 utilization by county.*

RESPONSE: The 2015 medical equipment registration was electronically filed on May 22, 2016, a copy below.

**Medical Equipment Utilization Report - Section 2**

Date Submitted: 5/22/2016 10:42:14 AM

**Facility: Tennessee Orthopedics, PC (95010)**

Comments: We have the percentage of Tennessee Orthopedics patients by county during this time period but do not have the number of MRIs per  
Reporting Period: June, 2015 - December, 2015

| County | CT | Linear<br>Accelerator | Cyber<br>Knife | Gamma<br>Knife | Lithotripter | MRI | PET |
|--------|----|-----------------------|----------------|----------------|--------------|-----|-----|
|--------|----|-----------------------|----------------|----------------|--------------|-----|-----|

**Medical Equipment Utilization Report - Section 1**

Date Submitted: 5/22/2016 10:37:28 AM

**Facility: Tennessee Orthopedics, PC (95010) - Wilson****Contact:** Jennifer MacDonald**Phone:** 615-449-0990 ext 210**Email:** [jmacdonald@tennesseeorthopedics.com](mailto:jmacdonald@tennesseeorthopedics.com)**Reporting Period:** June, 2015 - December, 2015**Equipment Type: MRI (Fixed)****Number of Units:** 745**Mobile Days per Week:**

|                | Medicare | TennCare /<br>Medicaid | Managed Care /<br>Commercial | Self Pay /<br>Other | Total   |
|----------------|----------|------------------------|------------------------------|---------------------|---------|
| Procedures:    | 0        | 0                      | 0                            | 0                   | 745     |
| Gross Charges: | 0        | 0                      | 0                            | 0                   | 1015783 |



**SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

**END RESPONSE TO SUPPLEMENTAL REQUEST FOR INFORMATION; ATTACHMENTS  
IMMEDIATELY FOLLOW**

**SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 1**

**May 24, 2016**

**12:48 pm**



May 19, 2016

To Whom it May Concern;

Custom Surgical Consultants' annual management fee for Tennessee Orthopedics has been calculated at \$60,000.00 for the first twelve month period.

This figure was calculated based on our weekly fee for 24/7 oversight of the facility including travel expenses.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tina J. DiMarino'.

Tina J. DiMarino, MSN, RN, CNOR  
COO of Custom Surgical Consultants, LLC.

**SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 2**

BK/PG: 1645/596-597

**May 24, 2018**

**15554072**

2106-REC-QUITCLAIM DEED

DARLA BATCH: 316535

**06/04/2015 - 03:46 PM**

|                     |              |
|---------------------|--------------|
| VALUE               | 0.00         |
| MORTGAGE TAX        | 0.00         |
| TRANSFER TAX        | 0.00         |
| RECORDING FEE       | 10.00        |
| DP FEE              | 2.00         |
| REGISTER'S FEE      | 0.00         |
| <b>TOTAL AMOUNT</b> | <b>12.00</b> |

STATE OF TENNESSEE, WILSON COUNTY

**JOHN B SPICKARD**

REGISTER OF DEEDS

**QUITCLAIM DEED**

This instrument was prepared by:

Christi D. Griffin, Esq.

Griffin Law Office

113 East Main Street

Lebanon, TN 37087

|  |   |
|--|---|
| Name and address of the new owner (the Grantee):                   | Phoenix Medical Office Building, LLC<br>1616 West Main Street, Suite 200<br>Lebanon, TN 37087 |
| Name and address of the Mortgagee (the holder of a mortgage loan): | Citizens Bank<br>100 McMurry Boulevard<br>Hartsville, TN 37074                                |
| Tax map parcel number:   | Map 081, Parcel 120.07  |
| Mail tax bills to:   | Phoenix Medical Office Building, LLC<br>1616 West Main Street, Suite 200<br>Lebanon, TN 37087 |

In consideration of Ten Dollars and other valuable consideration paid, the receipt of which is acknowledged, I, Roy C. Terry, the Grantor, sell, transfer, and convey to Phoenix Medical Office Building, LLC, the Grantee, all of my right, title and interest in the following real estate:

IN THE COUNTY OF WILSON, STATE OF TENNESSEE: Land located in the 21<sup>st</sup> Civil District of Wilson County, Tennessee, and being Lot No. 3 on the Final Plat of JPR Enterprises, of record in Plat Book 25, Page 938, in the Register's Office of Wilson County, Tennessee, to which plat reference is hereby made for more complete details as to size, location, and description of said lot; and being the same property conveyed to Roy C. Terry, of record in Book 1581, Page 2177, Register's Office of Wilson County, Tennessee.

No boundary survey of the real estate was made at the time of this conveyance, and the description of it is not different from that shown in any previous deed. For prior title, see Book 1581, Page 2177 in the Register's Office of Wilson County, Tennessee.

Taxes for the year 2015 are assumed by the Grantee.

THIS CONVEYANCE IS SUBJECT TO MATTERS OF PUBLIC RECORD including the following: (1) governmental zoning and other ordinances and regulations; (2) utility, sewer, drainage, and other easements and stipulations; and (3) subdivision and condominium covenants, conditions, declarations, and other restrictions.

**May 24, 2016**

**12:48 pm**

THIS CONVEYANCE IS ALSO SUBJECT TO restrictive covenants as may be recorded in a Declaration of Covenants, Conditions and Restrictions, of record in the WCROD at Book 1198, Page 1048, as amended by that First Amendment to Declaration of Covenants, Conditions and Restrictions, of record at the WCROD at Book 1613, Page 225.

Witness my hand this 4th day of June, 2015.

[Signature]  
Grantor

**Acknowledgement**

STATE OF TENNESSEE  
COUNTY OF WILSON

On the 4th day of June, 2015, before me personally appeared Roy A Taylor, the Grantor, to me known (or proved to me on the basis of satisfactory evidence) to be the person described in and who executed the foregoing instrument and acknowledged that he or she executed the same as his or her free act and deed.

Betty Sue Hildon  
Notary Public

My commission expires: 8/30/16

**Affidavit of Value**



STATE OF TENNESSEE  
COUNTY OF WILSON

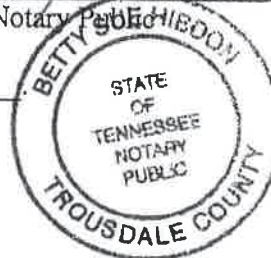
I swear or affirm that the actual consideration for this transfer, or the value of the property transferred, whichever is greater, is \$10.00. That amount is equal to or greater than the amount which the property would command at a fair and voluntary sale.

[Signature]  
Grantee

Sworn to and subscribed before me this 4th day of June, 2015.

Betty Sue Hildon  
Notary Public

My commission expires: 8/30/16

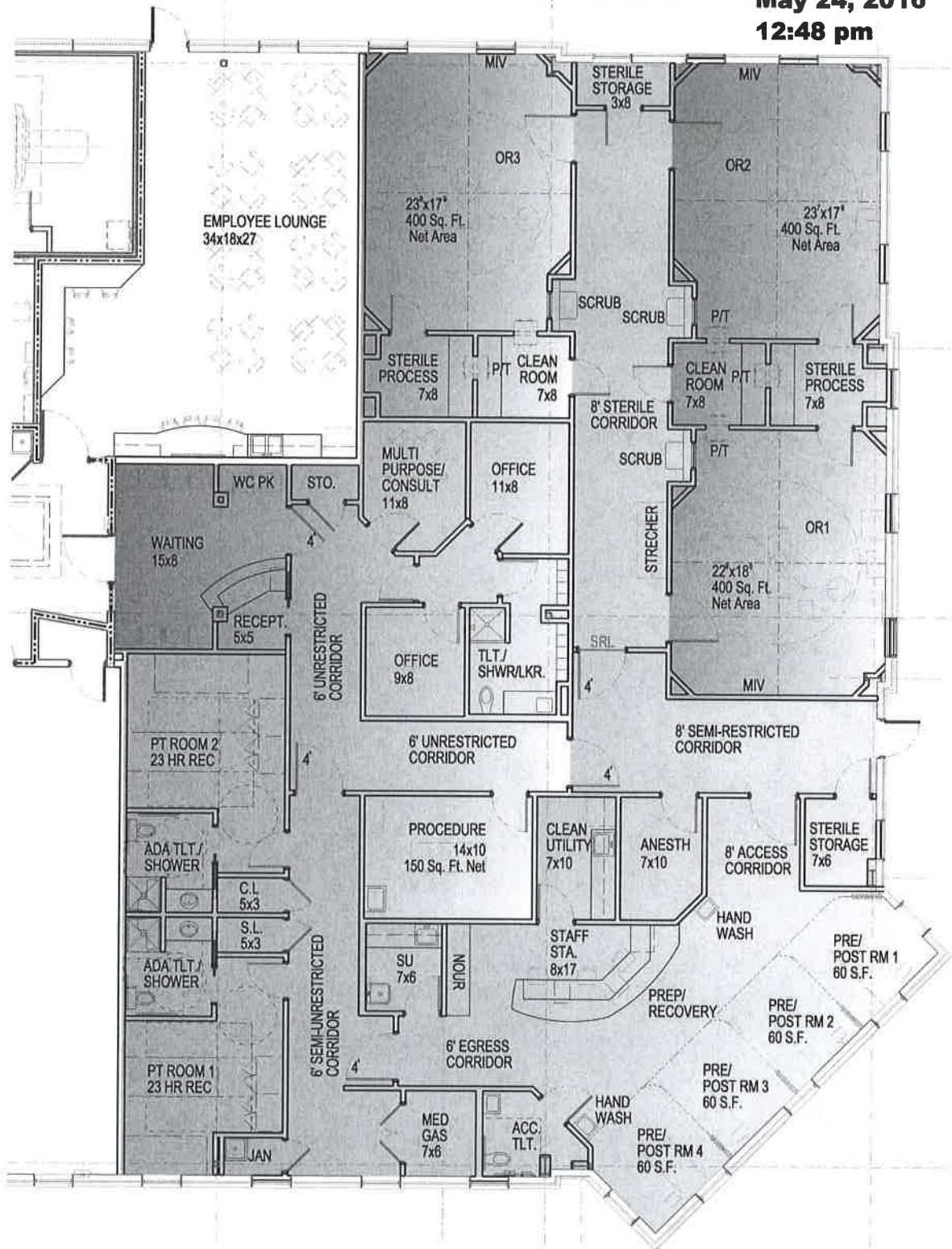


## ATTACHMENT 3



**May 24, 2016**

**12:48 pm**



**REVISED FLOOR PLAN  
SURGERY CENTER & EMPLOYEE LOUNGE**

SCALE: 1/8" = 1'-0"

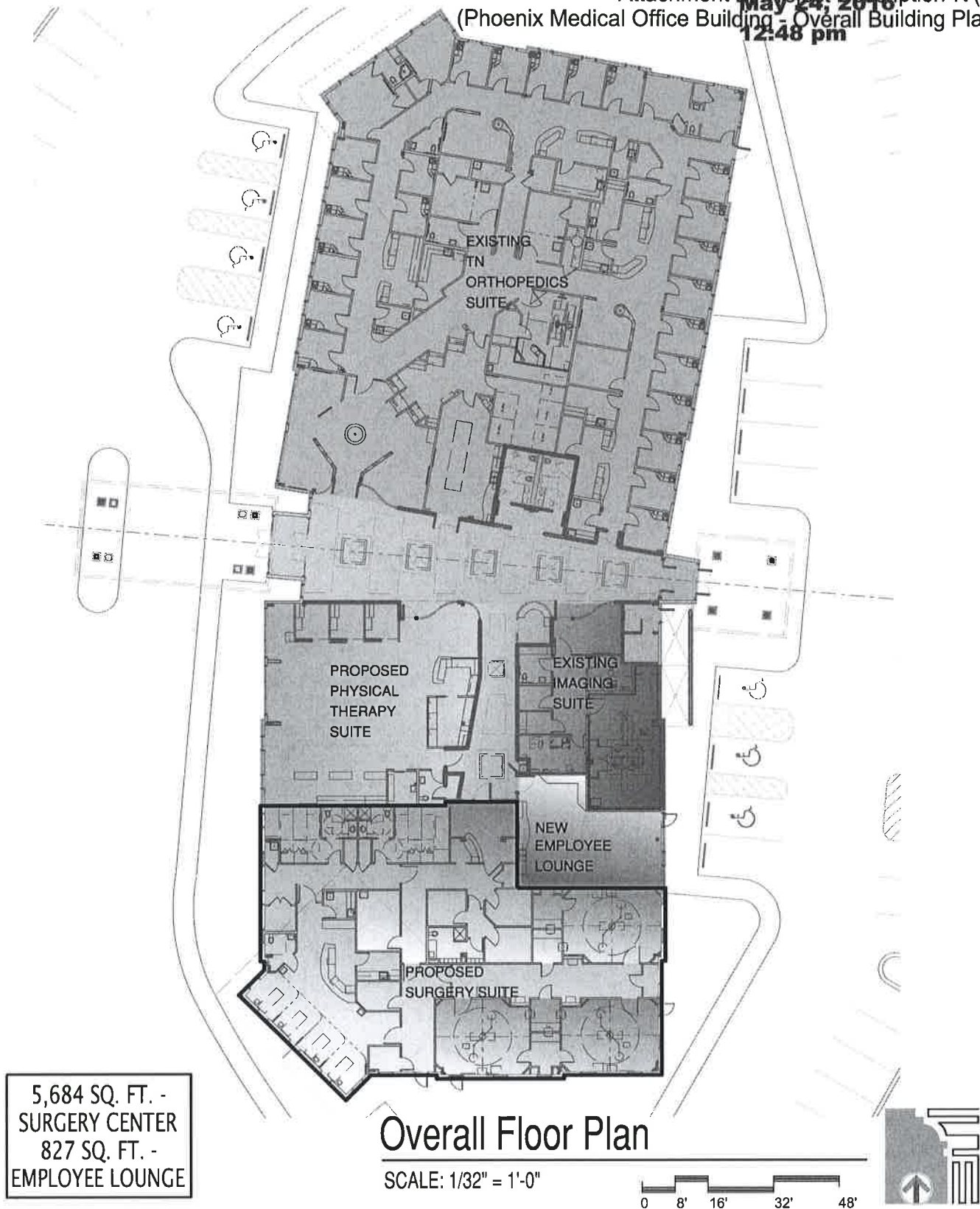
05.04.16 0 4' 8' 16' 24'

5,684 SQ. FT. - SURGERY CENTER  
827 SQ. FT. - EMPLOYEE LOUNGE



May 24, 2016

12:48 pm



**MANOUS DESIGN**  
142 Public Square Lebanon, Tn. 37087  
v:615.444.6207 f:615.444.0853  
Michael L Manous, R.A. Mike@ManousDesign.com

THE HARTMANN MEDICAL OFFICE BUILDING  
SURGERY CENTER SUITE 113 BUILD OUT  
**DR. ROY C. TERRY**  
South Hartmann Drive & Physician's Way  
Lebanon, Tennessee



ALL INFORMATION SUBJECT TO COPYRIGHT RESTRICTIONS. MANOUS DESIGN RETAINS THE RIGHTS TO ALL INTELLECTUAL PROPERTY DEPICTED ON THIS DOCUMENT

## ATTACHMENT 4

**May 24, 2016****12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a general Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 30 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
Signature

Nancy Barrett  
Print Name

Current Privileges:

- ☒ Tennova-Health Care- Lebanon  
☒ Tri-Star Summit Medical Center  
☐ Sumner Regional Medical Center  
☐ Indian Lakes Surgical Center  
☐ Providence Surgery Center  
☒ River View Other

Types of Surgeries I anticipate performing at the ASTC:

laparoscopic cholecystectomies / laparoscopic simple proc.  
Soft tissue Masses  
Hemorrhoids

**May 24, 2016**

**12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a General Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 50 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
Signature

Alex Brant Frick  
Print Name

Current Privileges:

- ☐ Tennova-Health Care- Lebanon
- ☒ Tri-Star Summit Medical Center
- ☐ Sumner Regional Medical Center
- ☐ Indian Lakes Surgical Center
- ☐ Providence Surgery Center
- ☐ \_\_\_\_\_ Other

Types of Surgeries I anticipate performing at the ASTC:

Hernias  
Laparoscopic cholecystectomies  
\_\_\_\_\_  
\_\_\_\_\_

**May 24, 2016**

**12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a General Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 50-60 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
Signature

Jeffrey A. Mathews  
Print Name

Current Privileges:

- ☒ Tennova-Health Care- Lebanon  
☒ Tri-Star Summit Medical Center  
☒ Sumner Regional Medical Center  
☐ Indian Lakes Surgical Center  
☐ Providence Surgery Center  
☐ \_\_\_\_\_ Other

Types of Surgeries I anticipate performing at the ASTC:

Hemorrhoidectomy  
Hernia Repair  
Cholecystectomy  
Port Placement

**May 24, 2016****12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a Oral Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 60 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

Aaron E. Pryor  
Signature

Aaron E. Pryor  
Print Name

Current Privileges:

- ☒ Tennova-Health Care- Lebanon  
☒ Tri-Star Summit Medical Center  
☐ Sumner Regional Medical Center  
☐ Indian Lakes Surgical Center  
☐ Providence Surgery Center  
☐ \_\_\_\_\_ Other

Types of Surgeries I anticipate performing at the ASTC:


3rd Molar Extractions  
Dental Implants  
Bone Grafts / Sinus Lift  
\_\_\_\_\_

**May 24, 2016****12:48 pm**

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a ENT Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 10/MONTH surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

 MD

Current Privileges:

- ☒ Tennova-Health Care- Lebanon
- ☒ Tri-Star Summit Medical Center
- ☒ Sumner Regional Medical Center
- ☐ Indian Lakes Surgical Center
- ☐ Providence Surgery Center
- ☐ \_\_\_\_\_ Other

Types of Surgeries I anticipate performing:

Ear tubes  
tonsil & adenoid  
nasal surgery





**SmileGallery**  
Dr. Chad Williams

**SUPPLEMENTAL #1**  
205 West High Street • Suite 104 • Lebanon, TN 37087  
Ph: 615-444-2067 • Fax: 615-444-3706  
**May 24, 2016 12:48 pm**

May 9, 2016

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Deaderick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243  
Attn.: Ms. Melanie M. Hill, Executive Director

Dear Members of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. to establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a dentist with a dental practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 2 surgeries to the facility on a weekly basis. The ASTC will be more efficient and less costly for my patients.

Currently, there is no facility to take challenged patients to. The local hospital, Tennova, formerly University Medical Center, does not allow dental cases in their Operating Room. Therefore, I have no place to take patients with Autism, Asperger Syndrome, mental retardation, Cerebral Palsy, etc. These patients can not be treated in a typical dental setting. It would be great to have a community facility to be able to provide service to these patients.

Sincerely,

Chad Williams, DMD  
205 W. High St., #104  
Lebanon, TN 37087



12:48 pm

## ATTACHMENT 5

**May 24, 2016**



May 20, 2016

Dr. Roy Terry  
Tennessee Orthopedics  
101 Physicians Way  
Lebanon, TN 37090

RE: Additional Information for Surgical Suite  
Lebanon, TN

Dear Dr. Terry,

As requested, the additional information required for the CON application is listed below:

- Description of the Project

The proposed Surgical Suite will be located inside of a recently completed, 25,000 S.F. building. This building has a central corridor that allows access to multiple medical suites. At this time, approximately 15,000 S.F. of the building has been built-out and is being occupied.

The preliminary plans for this project include a waiting room, two (2) patient rooms, one (1) procedure room, three (3) operating rooms, two (2) pre-op rooms, two (2) post-op rooms, two (2) offices and multiple other rooms for offices, mechanical purposes, etc.

- Estimate of Cost

The Estimate of Cost is based on typical construction costs for this type of use. The building shell is complete therefore the estimated construction costs consists of the interior build-out only. Based on the preliminary plans and estimate of costs, the project will provide a physical environment according to applicable federal, state and local construction codes, standards, specifications, and requirements.

The preliminary budget for the 5,684 S.F. surgery suite build-out located at the new Phoenix medical building is estimated to be \$685,000 (\$121/sf). This preliminary budget includes the interior walls, sheet rock, painting, electrical, mechanical and fire protection. This budget does not include the following:

**May 24, 2016**

**12:48 pm**



- Architectural, Engineering and Consulting Fees;
- Licensing Fees;
- Medical Gases;
- Backup electrical generator and transfer switch;
- Suction;
- Surgical Equipment including instrument trays, tourniquet, Start up supplies and Equipment Outfitting;
- Computers, servers and monitors;
- Furniture for waiting rooms and other common spaces; and
- Specialty lighting

- Physical Environment

EVERGREEN CONSTRUCTORS, LLC. was the construction manager for the design and construction of the 25,000 S.F. building where the proposed surgical suite will be located. It was very important to the design and construction team that this building was to be constructed so that the physical environment would conform to all applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the latest AIA guidelines for Design and Construction of Hospital and Health Care facilities. The design and construction of the proposed Surgical Suite build-out will conform to these standards as well.

Should you have any questions or if you need any additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "D.K. Pine".

David K. Pine, P.E.

**SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 6**

Hartsville  
100 McMurry Boulevard  
P.O. Box 45 | Hartsville, TN 37074  
Ph: 615.374.2265, 615.254.3279  
Tf: 800.337.4742  
F: 615.374.9571  
CBTenn.com



## **SUPPLEMENTAL #1**

**May 24, 2016**  
**12:48 pm**

Gallatin  
150 West Main Street  
Gallatin, TN 37066  
Ph: 615.206.1748  
F: 615.206.1958  
CBTenn.com

May 19, 2016

Roy C. Terry, M.D.  
Tennessee Orthopedics, P. C.  
101 Physicians Way  
Lebanon, TN 37090

RE: Commercial Funding Commitment

Dear Dr. Terry,

Citizens Bank is committed to becoming involved in providing funding for your future ASTC project. The surgery center is to be constructed in an existing medical office building located at 101 Physicians Way, Lebanon, TN. The projected funding request is for approximately \$2,800,000 for build-out, equipment and working capital relative to the surgery center. Citizens Bank will be working towards a term sheet in the future as the project nears approval or is approved. The rate and term of the construction portion of the loan will be subject to credit strength and loan to value. Currently, rates for such a project are in the range of 4.50% to 5.50%. These rates are subject to many factors including the term of the loan and the credit worthiness of the borrower. The term would be up to 12 months for the build-out phase, with permanent financing up to 20 years. The equipment portion would be for 36 to 60 months fixed at approximately 6%. This is just a guideline of rates and terms under current economic conditions and your current credit worthiness. Final approval of the loan and terms is subject to review of up to date financials, plans, etc. by Citizens Bank.

If there are questions pertaining to the details of Citizens Bank's intentions in this matter, please feel free to call me directly. If I am unavailable, you may speak with our president and CEO, Todd Austin.

Sincerely,

Betty Sue Hibdon  
President/CEO Emeritus  
NMLS # 454004

BSH/bs

**SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 7**

# PROJECTED DATA CHART

# SUPPLEMENTAL #1

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in **JANUARY** (Month).

May 24, 2016  
12:48 pm

|  | Year 2018           | Year 2019           |
|--|---------------------|---------------------|
| A. Utilization Data (Specify unit of measure) # OR/PR Cases  | 6,536               | 7,190               |
| B. Revenue from Services to Patients   |                     |                     |
| 1. Inpatient Services  | \$ _____            | \$ _____            |
| 2. Outpatient Services   | 24,587,855          | 27,046,640          |
| 3. Emergency Services  | _____               | _____               |
| 4. Other Operating Revenue (Specify) _____   | _____               | _____               |
| <b>Gross Operating Revenue</b>   | <b>\$24,587,855</b> | <b>\$27,046,640</b> |
| C. Deductions from Gross Operating Revenue   |                     |                     |
| 1. Contractual Adjustments   | \$18,382,845        | \$20,221,130        |
| 2. Provision for Charity Care  | 620,501             | 682,551             |
| 3. Provisions for Bad Debt   | 93,075              | 102,383             |
| <b>Total Deductions</b>  | <b>\$19,096,421</b> | <b>\$21,006,063</b> |
| <b>NET OPERATING REVENUE</b>   | <b>\$5,491,434</b>  | <b>\$6,040,577</b>  |
| D. Operating Expenses  |                     |                     |
| 1. Salaries and Wages  | \$1,434,772         | \$1,578,249         |
| 2. Physician's Salaries and Wages  | _____               | _____               |
| 3. Supplies (Includes Drugs)   | 1,520,227           | 1,672,250           |
| 4. Taxes   | 109,760             | 120,736             |
| 5. Depreciation  | _____               | _____               |
| 6. Rent  | 258,284             | 261,694             |
| 7. Management Fees:  |                     |                     |
| a. Fees to Affiliates  | _____               | _____               |
| b. Fees to Non-Affiliates  | 60,000              | 60,000              |
| 9. Other Expenses (Specify) Facilities, Insur., Banks, Admin., Professional Svcs., Billing Svcs., Misc., etc.) | 484,034             | 533,759             |
| <b>Total Operating Expenses</b>  | <b>\$3,867,077</b>  | <b>\$4,226,688</b>  |
| E. Other Revenue (Expenses) -- Net (Specify)   | \$ _____            | \$ _____            |
| <b>NET OPERATING INCOME (LOSS)</b>   | <b>\$1,624,357</b>  | <b>\$1,813,890</b>  |
| F. Capital Expenditures  |                     |                     |
| 1. Retirement of Principal   | \$ _____            | \$ _____            |
| 2. Interest  | _____               | _____               |
| <b>Total Capital Expenditures</b>  | <b>\$ _____</b>     | <b>\$ _____</b>     |
| <b>NET OPERATING INCOME (LOSS)</b>   |                     |                     |
| <b>LESS CAPITAL EXPENDITURES</b>   | <b>\$1,624,357</b>  | <b>\$1,813,890</b>  |

**SUPPLEMENTAL #1**

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 8**



**May 24, 2016****12:48 pm****Royce A. Belcher** Certified Public Accountant

420 West Main Street • Lebanon, Tennessee 37087 • 615/444-1149 • Fax 615/444-6626

To the Board of Directors  
Tennessee Orthopedics PC  
Lebanon, Tennessee

We have compiled the accompanying statement of assets, liabilities, and equity-cash basis of Tennessee Orthopedics, PC. (an S corporation) as of December 31, 2015, the related statements of revenues and expenses-cash basis for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

***Royce A. Belcher, CPA***

January 26, 2016

**TENNESSEE ORTHOPEDICS PC****BALANCE SHEET****DECEMBER 31, 2015****ASSETS****CURRENT ASSETS**

|                          |               |
|--------------------------|---------------|
| Cash                     | \$ 85,307     |
| Accounts Receivable, Net | 411,859       |
| Rma Escrow               | <u>19,855</u> |

Total Current Assets 517,021

|                                |                  |
|--------------------------------|------------------|
| Property and Equipment         | 1,264,709        |
| Less: Accumulated Depreciation | <u>1,194,978</u> |

Total Property and Equipment 69,731

Total Assets \$ 586,752

**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES**

|                         |           |
|-------------------------|-----------|
| Equipment Lease Payable | \$ 16,699 |
|-------------------------|-----------|

Notes Payable – Long-Term 113,692

Total Liabilities 130,391

**STOCKHOLDERS' EQUITY**

|                   |               |
|-------------------|---------------|
| Common Stock      | 8,000         |
| Retained Earnings | <u>36,502</u> |

Total Stockholders' Equity 456,361

Total Liabilities and Equity \$ 586,752

See accompanying accountant's report.

# Supplemental #2 -Original-

TN Orthopedics PC

CN1605-019



# GRIFFIN LAW OFFICE

**SUPPLEMENTAL #2**

**May 31, 2016**

**10:40 am**

May 31, 2016

Reply to: Christi D. Griffin, Esq.  
[christi.griffin@griffinlawtn.com](mailto:christi.griffin@griffinlawtn.com)

**HAND-DELIVERY**

Mr. Mark Farber  
Deputy Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
500 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1605-019  
Tennessee Orthopedics, P.C. – Establishment of Multi-Specialty ASTC  
**Applicant's Response to 5/26/16 Request for Supplemental Information**

Dear Mr. Farber,

Please accept this filing as the response to your May 26, 2016 request for supplemental information on the above-captioned CON application filed by Tennessee Orthopedics, P.C. The signed and notarized affidavit supporting this response to request for supplemental information follows this cover letter, followed by the response to each supplemental question. Please do not hesitate to contact me should you have questions or require additional information.

Sincerely,

  
Christi D. Griffin

**May 31, 2016**

**10:40 am**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF Wilson

NAME OF FACILITY: Tennessee Orthopedics, LLC

I, Roy C Terry, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

RCT  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27 day of May, 2016, witness my hand at office in the County of Wilson, State of Tennessee.

Shawna Cooper  
NOTARY PUBLIC

My commission expires 03/01, 2019.

HF-0043

Revised 7/02



1-A

**May 31, 2016****10:40 am****1. Section C. Economic Feasibility Item 1 (Project Cost Chart)**

*Your response to this item is noted; however let me rephrase the question. If the building were to be sold and purchased, what percentage of the purchase price or fair market value would be attributed to the space for the ASTC.*

*The question is trying to determine whether the applicant's calculation of building expense is consistent with the following Agency rule: 0720-2-.01 (12)(d) states " If the acquisition is by lease, the cost is either the fair market value of the property, or the total amount of the lease payments, whichever is greater."*

*[The question above is in reference to the following Question 10(A) in the 5/17/16 request for supplemental information: "What is the fair market value of the space being designated for the ASTC and how does this compare to the calculated lease expense?"]*

**RESPONSE:**

|   |              |
|---|--------------|
| Building Square Footage:                | 24,340 SF    |
| Proposed ASTC Square Footage:           | 5,684 SF     |
| Percentage of total designated for ASTC | 23%          |
| Estimated Building FMV                  | \$5,822,052  |
| Estimated ASTC FMV                      | \$1,339,071  |
| (23% of estimated building FMV)         |              |
| Lease Expense Over Initial Term         | \$ 1,883,306 |
| (as reported on Project Costs Chart)    |              |

Based on the foregoing, the calculated lease expense is greater than the estimated fair market value of the space designated for the proposed ASTC.

**May 31, 2016****10:40 am****2. Section C. Economic Feasibility Item 4 (Projected Data Chart)**

The *PROJECTED DATA CHART-OTHER EXPENSE* in the 2019 column totals to [sic] \$528,046. In the revised *Projected Data Chart Other Expenses in 2019* totals to [sic] \$533,759.

Please address this discrepancy.

[Please note that the 2019 *Projected Data Chart-Other Expense* reported in the initial CON application filed May 12 was \$533,759, and the amount reported in the revised *Projected Data Chart* filed May 24 was \$528,046.]

**RESPONSE:**

The correct amount of projected Other Expenses is \$533,759, as stated in the initial CON application and as itemized below.

**2019 Projected Other Expenses**

| <b>Expense Category</b>     | <b>Sub-Category</b>             | <b>Budgeted Amount</b> |
|-----------------------------|---------------------------------|------------------------|
| Administrative:             | Office Supplies                 | \$4,000                |
|                             | Service Agreements: copier, fax | \$5,000                |
|                             | Travel/Entertainment/Meals      | \$1,000                |
|                             | TV Service                      | \$740                  |
|                             | Telephone                       | \$2,043                |
|                             | Linen Service                   | \$13,596               |
|                             | Medical Waste                   | \$3,500                |
| <b>Sub-Total</b>            |                                 | <b>\$29,879</b>        |
| Insurances:                 |                                 | \$54,604               |
| <b>Sub-Total</b>            |                                 | <b>\$54,604</b>        |
| Banks:                      |                                 | \$7,500                |
| <b>Sub-Total</b>            |                                 | <b>\$7,500</b>         |
| Facilities:                 | Utilities                       | \$17,000               |
|                             | Repairs                         | \$6,000                |
| <b>Sub-Total</b>            |                                 | <b>\$23,000</b>        |
| Professional Services:      |                                 | \$6,000                |
| <b>Sub-Total</b>            |                                 | <b>\$6,000</b>         |
| Billing Services:           |                                 | \$341,276              |
| <b>Sub-Total</b>            |                                 | <b>\$341,276</b>       |
| Miscellaneous:              |                                 | \$71,500               |
| <b>Sub-Total</b>            |                                 | <b>\$71,500</b>        |
| <b>TOTAL OTHER EXPENSES</b> |                                 | <b>\$ 533,759</b>      |

**END RESPONSE TO 5/26/16 SUPPLEMENTAL REQUEST FOR INFORMATION**